

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)

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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,

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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.

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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.

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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.

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**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.

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Selected Historical Consolidated Financial Data of Validus

Set forth below is certain selected historical consolidated financial data relating to Validus. The financial data 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

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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

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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

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- (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.

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	\$ 251,122	\$ 252,402	\$ 252,575	\$ 264,889
Shareholders' equity	\$ 836,660	\$ 946,904	\$ 789,048	\$ 1,134,733	\$ 1,211,018	\$ 986,013	\$ 1,210,485

- (1) As described in Flagstone's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, Flagstone announced on October 24, 2011 its plan to undertake a number of strategic initiatives to realign its strategy and core capabilities. As a result of this realignment, Flagstone commenced a formal process to divest its ownership positions in its Lloyd's and Island Heritage operations. Flagstone has classified the assets and liabilities associated with these operations as held for sale. Except for each of net (loss) income attributable to Flagstone and net (loss) income per share outstanding Basic, the financial results of these operations have been presented in Flagstone's consolidated financial statements as discontinued operations for all periods presented, and have therefore not been included in the selected historical consolidated financial data of Flagstone, which relate only to Flagstone's continuing operations. The Island Heritage transaction was completed on April 5, 2012 and resulted in a gain on disposal of approximately \$4.5 million which was reflected in the net income attributable to Flagstone for the six months ended June 30, 2012. The Lloyd's transaction was completed on August 20, 2012 and Flagstone expects to record a small gain on disposal in its financial results during the three month period ending September 30, 2012.
- (2) Distributions declared per share are in the form of a non-dividend return of capital. Prior to Flagstone's redomestication to Luxembourg on May 17, 2010, such distributions were in the form of dividends.
- (3) As indicated in note (1) above, unless otherwise noted, the prior periods, including the summarized balance sheet data as of June 30, 2011, have been reclassified to include only Flagstone's continuing operations. This information was included as part of Flagstone's Investor Financial Supplement relating to its financial results for the quarter ended June 30, 2012, which was attached as Exhibit 99.2 to the Current Report on Form 8-K furnished by Flagstone to the SEC on August 7, 2012.

Selected Unaudited Condensed Consolidated Pro Forma Financial Information

The following tables set forth selected unaudited condensed consolidated pro forma financial information for the six months ended June 30, 2012 and the year ended December 31, 2011 to provide you with information about how the proposed transactions might have affected the historical financial statements of Validus if they had been completed at those times. The following selected unaudited condensed consolidated pro forma financial information does not necessarily reflect the financial position or results of operations that actually would have resulted had the proposed transactions occurred as of the dates indicated, nor should it be taken as necessarily indicative of the future financial position or results of operations of Validus. The adjustments and assumptions reflected in the pro forma financial information are discussed in the section of this proxy statement/prospectus titled *Unaudited Condensed Consolidated Pro Forma Financial Information*.

The selected unaudited condensed consolidated pro forma financial information is for illustrative purposes only, has been prepared by Validus management, after discussion with Flagstone's management, and is based on the historical consolidated financial statements of both Validus and Flagstone. The following should be read in conjunction with the section of this proxy statement/prospectus titled *Unaudited Condensed Consolidated Pro Forma Financial Information*, and with other information included in or incorporated by reference into this proxy statement/prospectus and filed with the SEC, including Validus Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, Validus Annual Report on Form 10-K for the year ended December 31, 2011, Flagstone's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and Flagstone's Annual Report on Form 10-K for the year ended December 31, 2011, each of which are filed with the SEC and incorporated by reference herein.

The pro forma purchase adjustments reflected in the selected unaudited condensed consolidated pro forma financial information are based on certain estimates and assumptions made as of the date of the unaudited condensed consolidated pro forma financial information. The actual adjustments will depend on a number of factors, including further review of Flagstone's books and records, and changes in the estimated fair value of net balance sheet assets and operating results of Flagstone between June 30, 2012 and the date of the completion of the mergers. Validus expects to make these adjustments upon the completion of the mergers. These adjustments are likely to be different from the adjustments made to prepare the unaudited condensed consolidated pro forma financial information and these differences may be material.

This pro forma information is subject to risks and uncertainties, including those discussed in the sections of this proxy statement/prospectus titled *Risk Factors* and *Special Note Concerning Forward-Looking Statements*.

The following table sets forth summarized pro forma statement of operations data for the six months ended June 30, 2012 and the year ended December 31, 2011:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
	(Dollars in thousands, except share and per share amounts)	
Revenues		
Gross premiums written	\$ 1,805,756	\$ 2,914,388
Reinsurance premiums ceded	(317,288)	(520,506)
Net premiums written	1,488,468	2,393,882
Change in unearned premiums	(373,398)	(20,261)
Net premiums earned	1,115,070	2,373,621
Net investment income	61,136	143,450
Net realized gains on investments	37,154	7,762
Net unrealized losses on investments	(32,903)	(19,991)
Net realized and unrealized gains other	1,393	2,494
Loss from investment affiliate	(398)	
Other income	19,242	11,152
Foreign exchange gains (losses)	1,637	(26,605)
Total revenues	1,203,331	2,491,883

Expenses		
Losses and loss expenses	507,613	1,920,936
Policy acquisition costs	199,027	429,509
General and administrative expenses	166,453	282,183
Share compensation expenses	14,477	35,427
Transaction expenses		17,433
Finance expenses	35,908	66,485
	<hr/>	<hr/>
Total expenses	923,478	2,751,973
	<hr/>	<hr/>
Net income (loss) before taxes	278,853	(260,090)
Tax benefit (expense)	(856)	(773)
Income (loss) from operating affiliates	7,247	(922)
	<hr/>	<hr/>
Net income (loss) from continuing operations	285,244	(261,785)
Net income (loss) from discontinued operations	13,620	(21,662)
	<hr/>	<hr/>
Net income (loss)	298,864	(283,447)
Net income (loss) available (attributable) to noncontrolling interest	44,225	(24,515)
	<hr/>	<hr/>
Net income (loss) available (attributable) to Validus	\$ 343,089	\$ (307,962)
	<hr/>	<hr/>
Comprehensive (loss) income		
Foreign currency translation adjustments, net of tax	5,173	(7,988)
Change in defined benefit pension plan obligation	(208)	436
	<hr/>	<hr/>
Comprehensive income (loss) available (attributable) to Validus	\$ 348,054	\$ (315,514)
	<hr/>	<hr/>
Earnings per share		
Weighted average number of common shares and common share equivalents outstanding		
Basic	113,141,681	112,230,004
Diluted	119,796,882	112,230,004
Basic earnings (loss) per share available (attributable) to common shareholders	\$ 3.00	\$ (2.81)
Diluted earnings (loss) per share available (attributable) to common shareholders	\$ 2.86	\$ (2.81)
Selected financial ratios		
Losses and loss expenses ratio	45.5%	80.9%
Policy acquisition costs ratio	17.8%	18.1%
General and administrative expenses ratio	16.3%	13.4%
	<hr/>	<hr/>
Expense ratio	34.1%	31.5%
	<hr/>	<hr/>
Combined ratio	79.6%	112.4%
	<hr/>	<hr/>

The following table sets forth summarized pro forma balance sheet data as of June 30, 2012:

	As of June 30, 2012	
	(Dollars in thousands, except per share amounts)	
Summary Balance Sheet Data:		
Investments at fair value	\$	6,719,636
Cash and cash equivalents		971,418

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Total assets		10,489,991
Reserve for losses and loss expenses		3,349,928
Unearned premiums		1,488,945
Senior notes payable		247,036
Debentures payable		540,002
Total liabilities		6,073,796
Total shareholders' equity	\$	4,416,195
Book value per common share	\$	37.41
Diluted book value per common share	\$	34.78

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Comparative Historical and Pro Forma Per Share Data

The historical earnings per share, dividends and book values of Validus and Flagstone shown in the table below are derived from their respective audited consolidated financial statements as of and for the year ended December 31, 2011 and unaudited consolidated financial statements as of and for the six months ended June 30, 2012. The unaudited pro forma comparative basic and diluted earnings per share data give effect to the mergers using the acquisition method of accounting as if the mergers had been completed on January 1, 2011. The unaudited pro forma book value and diluted book value per share information was computed as if the mergers had been completed on December 31, 2011 and June 30, 2012.

You should read this information in conjunction with the historical financial information of Validus and of Flagstone included or incorporated elsewhere in this proxy statement/prospectus, including Validus and Flagstone's respective financial statements and related notes thereto. The unaudited pro forma per share data is not necessarily indicative of actual results had the mergers occurred as of the dates or during the periods indicated. The unaudited pro forma data is not necessarily indicative of future operations of Validus or Flagstone.

This pro forma per share financial data does not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies, strategy modifications, asset dispositions or other actions. This pro forma per share data is subject to risks and uncertainties, including those discussed in the sections of this proxy statement/prospectus titled *Risk Factors* and *Special Note Concerning Forward-Looking Statements*.

Per share data for the year ended December 31, 2011:

	Historical Validus ⁽¹⁾	Historical Flagstone	Validus Pro forma combined	Equivalent per Flagstone share with \$2.00 cash consideration ⁽¹⁾	
				Excluded	Included
(For the year ended December 31, 2011)					
Basic earnings (loss) per common share	\$ 0.14	\$ (4.65)	\$ (2.81)	\$ (0.54)	\$ (0.54)
Diluted earnings (loss) per common share	\$ 0.14	\$ (4.65)	\$ (2.81)	\$ (0.54)	\$ (0.54)
Diluted operating earnings (loss) per common share ⁽²⁾	\$ 0.44	\$ (4.00)	\$ (2.13)	\$ (0.41)	\$ (0.41)
Cash dividends declared per common share	\$ 1.00	\$ 0.16	\$ 1.00	\$ 0.19	\$ 0.19
Book value per common share (at period end) ⁽³⁾	\$ 34.67	\$ 11.21	\$ 34.94	\$ 6.76	\$ 8.76
Diluted book value per common share (at period end) ⁽³⁾	\$ 32.28	\$ 10.90	\$ 32.66	\$ 6.32	\$ 8.32

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Per share data for the period ended June 30, 2012:

	Equivalent per Flagstone share with \$2.00 cash consideration⁽¹⁾				
	Historical Validus	Historical Flagstone	Validus Pro forma combined	Excluded	Included
(For the year ended June 30, 2012)					
Basic earnings per common share	\$ 2.92	\$ 0.74	\$ 3.00	\$ 0.58	\$ 0.58
Diluted earnings per common share	\$ 2.80	\$ 0.74	\$ 2.86	\$ 0.55	\$ 0.55
Diluted operating earnings per share ⁽²⁾	\$ 2.53	\$ 0.23	\$ 2.33	\$ 0.45	\$ 0.45
Cash dividends declared per common share	\$ 0.50	\$ 0.08	\$ 0.50	\$ 0.10	\$ 0.10
Book value per common share (at period end)	\$ 37.23	\$ 11.73	\$ 37.41	\$ 7.24	\$ 9.24
Diluted book value per common share (at period end)	\$ 34.43	\$ 11.52	\$ 34.78	\$ 6.73	\$ 8.73

- (1) Equivalent per share amounts are calculated by multiplying Validus pro forma per share amounts by the exchange ratio of 0.1935.
- (2) Net operating income (loss), a non-GAAP financial measure, is defined by Validus as net income (loss) excluding net realized and unrealized gains (losses) on investments, foreign exchange gains (losses) and non-recurring items. This measure focuses on the underlying fundamentals of operations without the influence of gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to underlying business. A reconciliation of net operating income to net income, the most comparable U.S. GAAP financial measure, for the six months ended June 30, 2012 and the year ended December 31, 2011, is presented in the table below.
- (3) Validus Pro Forma combined book value per common share and diluted book value per common share at December 31, 2011 include the pro forma purchase adjustments outlined in notes 3(e), 3(f) and 3(g) to the Unaudited Condensed Consolidated Pro Forma Financial Information.

	Six Months Ended June 30, 2012		
	Historical Validus	Historical Flagstone	Validus Pro forma combined
Net income available to the Company	\$ 291,856	\$ 52,675	\$ 343,090
Adjustments for:			
Net realized (gains) on investments	(13,686)	(23,468)	(37,154)
Net realized gains - other		(1,393)	(1,393)
Net unrealized losses on investments	32,903		32,903
Loss from investment affiliate	398		398
Foreign exchange (gains) losses	(2,514)	877	(1,637)
Net income from discontinued operations, net of tax		(13,620)	(13,620)
Net income (loss) attributable to noncontrolling interest	(44,881)	1,135	(43,746)
Net operating income available to the Company	\$ 264,076	\$ 16,206	\$ 278,841

	Year Ended December 31, 2011		
	Historical Validus	Historical Flagstone	Validus Pro forma combined
Net income (loss) available (attributable) to the Company	\$ 21,329	\$ (326,133)	\$ (307,962)
Adjustments for:			
Net realized (gains) losses on investments	(28,532)	20,770	(7,762)
Net realized gains - other		(2,494)	(2,494)
Net unrealized losses on investments	19,991		19,991
Foreign exchange losses	22,124	4,481	26,605
Transaction expenses	17,433		17,433
Interest in earnings of equity investments		922	922
Net loss from discontinued operations, net of tax		21,662	21,662
Net operating income (loss) available (attributable) to the Company	\$ 52,345	\$ (280,792)	\$ (231,605)

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Comparative Market Value and Dividends

Validus common shares are listed on the NYSE under the ticker symbol VR. Flagstone shares are listed on the NYSE under the ticker symbol FSR. The following table sets forth the high and low reported per share sales prices of Validus common shares and Flagstone shares for the periods indicated as reported on the NYSE Consolidated Transactions Tape, and cash dividends per share, as reported in the Validus Annual Report on Form 10-K and Flagstone's Annual Report on 10-K for the fiscal years ended December 31, 2010 and 2011, and thereafter as reported in publicly available sources.

	Validus			Flagstone		
	High	Low	Dividend	High	Low	Dividend
Year Ended December 31, 2012						
Third Quarter (through , 2012)	\$	\$		\$	\$	
Second Quarter	\$ 33.25	\$ 30.41	\$ 0.25	\$ 8.26	\$ 7.16	\$ 0.04
First Quarter	\$ 32.51	\$ 29.97	\$ 0.25	\$ 9.53	\$ 7.61	\$ 0.04
Year Ended December 31, 2011						
Fourth Quarter	\$ 31.77	\$ 23.87	\$ 0.25	\$ 9.07	\$ 7.02	\$ 0.04
Third Quarter	\$ 31.35	\$ 23.24	\$ 0.25	\$ 9.05	\$ 6.41	\$ 0.04
Second Quarter	\$ 34.95	\$ 29.44	\$ 0.25	\$ 9.32	\$ 7.72	\$ 0.04
First Quarter	\$ 33.72	\$ 28.86	\$ 0.25	\$ 12.82	\$ 8.06	\$ 0.04
Year Ended December 31, 2010						
Fourth Quarter	\$ 30.83	\$ 26.13	\$ 0.22	\$ 13.14	\$ 9.67	\$ 0.04
Third Quarter	\$ 26.94	\$ 24.31	\$ 0.22	\$ 11.46	\$ 9.49	\$ 0.04
Second Quarter	\$ 27.64	\$ 23.14	\$ 0.22	\$ 12.29	\$ 10.10	\$ 0.04
First Quarter	\$ 28.25	\$ 25.62	\$ 0.22	\$ 11.66	\$ 10.23	\$ 0.04

For further discussion on dividends see the section of this proxy statement/prospectus titled *The Mergers Dividends and Distributions*.

The following table presents the closing prices of Validus common shares and Flagstone shares on the NYSE on August 29, 2012, the last trading day before public announcement of the mergers, and , 2012, the most recent practicable date prior to the date of this proxy statement/prospectus.

	Validus Share Close	Flagstone Share Close	Equivalent Validus Per Share Amount	Equivalent Validus Per Share Amount Plus Cash Consideration
August 29, 2012	\$ 33.24	\$ 7.06	\$ 6.43	\$ 8.43
, 2012	\$	\$	\$	\$

Equivalent per share amounts are calculated by multiplying Validus per share amounts by the exchange ratio of 0.1935, and, where applicable, by separately adding \$2.00 in cash to this amount.

The value of the merger consideration will change as the market price of Validus common shares fluctuates prior to the completion of the mergers, and may therefore be different from the amounts set forth above and at the time you receive the merger consideration. Please see the section of this proxy statement/prospectus titled *Risk Factors*. Flagstone shareholders are urged to obtain current market quotations for Validus common shares and Flagstone shares before deciding whether to vote in favor of the merger proposal.

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Please also see the sections of this proxy statement/prospectus titled *The Mergers Listing of Validus Common Shares* for a discussion of the listing of Validus common shares and *The Mergers Delisting of Flagstone Shares* for a discussion of the delisting of Flagstone shares.

RISK FACTORS

In addition to the other information included or incorporated by reference into this proxy statement/prospectus, including the matters addressed in the section titled *Special Note Concerning Forward-Looking Statements*, you should carefully consider the following risks before deciding whether to vote in favor of the merger proposal. In addition, you should read and consider carefully the risks associated with the businesses of Validus and Flagstone because these risks will also affect Validus following completion of the mergers. These risks can be found in the Annual Reports on Form 10-K for the fiscal year ended December 31, 2011, and any amendments thereto, for each of Validus and Flagstone, as such risks may be updated or supplemented in each company's subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, which are incorporated by reference into this proxy statement/prospectus. You should also read and consider carefully the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. See the section of this proxy statement/prospectus titled *Where You Can Find More Information* for information on how you can view Validus and Flagstone's incorporated documents.

Risk Factors Relating to the Mergers

As a result of the fixed exchange ratio and changes in the price of Validus common shares, Flagstone shareholders cannot be sure of the value of the merger consideration they will receive in the mergers.

Upon completion of the mergers, Flagstone shareholders will be entitled to receive 0.1935 Validus common shares, \$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, for each share of Flagstone owned by them 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 in consideration for Flagstone shares will depend upon the market price of Validus common shares. If the market price of Validus common shares declines, Flagstone shareholders would receive less value for their shares upon the completion of the mergers than the value calculated pursuant to the exchange ratio on the date the mergers were announced or as of the date of this proxy statement/prospectus or as of the date of the extraordinary general meeting. Neither Validus nor Flagstone is permitted to terminate the merger agreement or resolicit the vote of Flagstone shareholders solely because of changes in the market price of Validus common shares. Share price changes may result from a variety of factors that are beyond the companies' control, including general market conditions, changes in business prospects, catastrophic events, both natural and man-made, and regulatory conditions.

Because the mergers will not be completed until certain conditions have been satisfied or waived (see the section of this proxy statement/prospectus titled *The Merger Agreement Conditions to the Completion of the Mergers*), a period of time, which may be significant, may pass between the date of this proxy statement/prospectus and the date of the extraordinary general meeting and/or the completion of the mergers. Therefore, at the time when you are asked to approve the merger proposal at the extraordinary general meeting, you will not know the exact market value of the Validus common shares that will be issued if the mergers are completed. Flagstone shareholders are urged to obtain market quotations for Validus common shares and Flagstone shares when they consider whether to vote in favor of the merger proposal at the extraordinary general meeting. See the section of this proxy statement/prospectus titled *Summary Comparative Market Value and Dividends*.

In connection with the mergers, Validus estimates that it will need to issue approximately Validus common shares. The increase in the number of outstanding Validus common shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Validus common shares.

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

The mergers are conditioned on the receipt or completion of all required authorizations, consents, orders and approvals of, or declarations or filings with, and the expiration of waiting periods required from, applicable governmental authorities, including without limitation, approval from:

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);

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

governmental authorities in Norway, South Africa and Turkey with respect to applicable antitrust or competition laws; and

if required, the Luxembourg *Commission de Surveillance du Secteur Financier* with respect to certain aspects of the proposed transactions.

If Validus and Flagstone do not receive these approvals, then Validus and Flagstone will not be obligated to complete the mergers. The governmental and regulatory agencies from which Validus and Flagstone will seek these approvals have broad discretion in administering the applicable governing regulations. As a condition to their approval of the transactions contemplated by this proxy statement/prospectus, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of Validus's business following the completion of the mergers. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the completion of the mergers or may reduce the anticipated benefits of the combination contemplated by the merger agreement. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to the mergers will be satisfied, and, if all required consents and approvals are obtained and the conditions to the completion of the mergers are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. If Validus or Flagstone agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any consents or approvals required to complete the mergers, these requirements, limitations, additional costs or restrictions could adversely affect Validus's ability to integrate the operations of Flagstone into Validus or reduce the anticipated benefits of the mergers contemplated by the merger agreement. This could have a material adverse effect on the business, financial condition and results of operations of Validus and the market value of Validus common shares after the completion of the mergers. In addition, a third party could attempt to intervene in any governmental or regulatory filings to be made by Validus or Flagstone or otherwise object to the granting to Validus or Flagstone of any such governmental or regulatory authorizations, consents, orders or approvals, which may cause a delay in obtaining, or the imposition of material requirements, limitations, costs, divestitures or restrictions on, or the failure to obtain, any such authorizations, consents, orders or approvals. Please see the section of this proxy statement/prospectus titled *The Merger Agreement Conditions to the Completion of the Mergers* for a discussion of the conditions to the mergers and the section titled *The Mergers Regulatory Approvals* for a description of the regulatory approvals necessary in connection with the mergers.

The mergers are subject to other conditions that Validus and Flagstone cannot control. Failure to complete the mergers could negatively impact the share price of Validus and Flagstone and the future business and financial results of Validus and Flagstone.

The merger agreement contains a number of conditions precedent that must be satisfied or waived prior to the completion of the mergers. There are no assurances that all of the conditions to the mergers will be so satisfied or waived. If the conditions to the mergers are not satisfied or waived, then Validus and Flagstone may be unable to complete the mergers. Please see the section of this proxy statement/prospectus titled *The Merger Agreement Conditions to the Completion of the Mergers* for a discussion of the conditions to the mergers.

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In addition, the merger agreement may be terminated under certain circumstances, including if the conditions to the completion of the mergers are not satisfied or waived prior to the March 31, 2013 walk-away date. If the mergers are not completed, the ongoing business of Validus and Flagstone may be adversely affected as follows:

the attention of management of Validus and Flagstone will have been diverted to the mergers instead of being directed solely to each company's own operations and the pursuit of other opportunities that could have been beneficial to such company;

Validus and/or Flagstone will have to pay certain costs relating to the mergers, which may include, as applicable, legal, accounting, financial advisory, filing and printing fees;

the potential decline in the market price of Validus or Flagstone shares;

the manner in which brokers, insurers, cedants and other third parties perceive Validus or Flagstone may be negatively impacted, which in turn could affect the ability of Validus or Flagstone to compete for or to write new business or obtain renewals in the marketplace;

the loss of time and resources; and

Flagstone may be required, in certain circumstances, to pay a termination fee of \$24.16 million, or a fee in the amount of \$6 million, as provided in the merger agreement.

See the sections of this proxy statement/prospectus titled *The Merger Agreement Termination* and *The Merger Agreement Effect of Termination; Termination Fee*.

Flagstone and Validus may waive certain of the conditions to the completion of the mergers without resoliciting or seeking Flagstone shareholder approval.

Each of the conditions to Flagstone's or Validus' obligations to complete the mergers may be waived, to the extent legally permissible, in whole or in part by Validus or Flagstone, as applicable. Flagstone's board of directors will evaluate the materiality of any such waiver to determine whether resolicitation of proxies is necessary or, if Flagstone shareholders have approved the merger proposal, whether further shareholder approval is necessary. In the event that any such waiver is not determined to be significant enough to require resolicitation or additional approval of shareholders, the mergers may be completed without seeking any further shareholder approval. Notwithstanding the foregoing, Flagstone and Validus will recirculate and resolicit votes on the approval of the merger proposal in the event that, after the merger proposal is approved by Flagstone shareholders, either Validus or Flagstone waives the condition that each company will have received a tax opinion from its respective counsel that each of the mergers will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and the change in tax consequences is material. If either Flagstone or Validus waives this tax opinion condition before the merger proposal is approved by Flagstone shareholders but after the registration statement (of which this proxy statement/prospectus forms a part) is declared effective by the SEC, Flagstone and Validus will publicly disclose this waiver to Flagstone shareholders.

Uncertainties associated with the mergers may cause a loss of management personnel and other key employees, which could adversely affect the future business, operations and financial results of Validus following the mergers.

Uncertainty about the effect of the proposed mergers on Flagstone's employees and customers may have an adverse effect on Flagstone's business. These uncertainties may impair Flagstone's ability to attract, retain and motivate key personnel until the proposed mergers are completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with Flagstone to seek to change existing business relationships with Flagstone. Employee retention may be particularly challenging during the pendency of the proposed mergers, as employees may experience uncertainty about their future roles with Validus following the completion of the mergers. If, despite Flagstone's retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Validus, Flagstone's business could be seriously harmed.

The merger agreement contains provisions that could discourage potential acquirors from making a competing proposal to acquire Flagstone.

The merger agreement contains detailed provisions that could discourage potential acquirors from making a competing proposal to acquire Flagstone, including (1) the restrictions on Flagstone's and each of its subsidiaries' ability to solicit, initiate or knowingly facilitate or encourage (including by providing non-public information) any effort or attempt to make or implement a competing proposal to acquire Flagstone, (2) the requirement that if the merger agreement is terminated under certain circumstances, Flagstone would be required to pay Validus a termination fee of either \$24.16 million or a fee in the amount of \$6 million depending upon the specific reason for termination and the surrounding circumstances, (3) the requirement that the merger proposal be submitted to a vote of Flagstone shareholders even if Flagstone's board of directors withholds or withdraws (or modifies or qualifies in a manner adverse to Validus) its recommendation that Flagstone shareholders vote to approve the merger proposal and (4) the inability of Flagstone to terminate the merger agreement to enter into a superior proposal. As a result of these limitations, Flagstone may lose opportunities to enter into a more favorable transaction than the mergers. See the section of this proxy statement/prospectus titled *The Merger Agreement - No Solicitation; Change in Recommendation* for a discussion of the restrictions on Flagstone's ability to pursue alternative transactions.

The voting agreements may limit Flagstone's ability to pursue alternatives to the mergers.

Certain shareholders of Flagstone have signed voting agreements committing them to vote any shares held by them, of record or beneficially, (1) in favor of approval of the merger proposal, (2) against any competing proposals, (3) against any amendments to Flagstone's articles of incorporation that may 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 (4) at Validus' request and 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. Because signatories to the voting agreements have agreed to vote in favor of approval of the merger proposal and against any competing proposals, the voting agreements may have the effect of discouraging any takeover proposal for Flagstone. 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 million Flagstone shares, which represented approximately % of the outstanding Flagstone shares at that time. See the section of this proxy statement/prospectus titled *The Voting Agreements* for a discussion of the terms of the voting agreements.

Flagstone will be subject to business uncertainties and contractual restrictions while the proposed mergers are pending, which could adversely affect Flagstone's business.

The merger agreement requires Flagstone to act in the ordinary course of business and restricts Flagstone, without the consent of Validus, from taking specified actions until the proposed mergers occur or the merger agreement terminates. See the section of this proxy statement/prospectus titled *The Merger Agreement - Conduct of Business* for a more detailed description of the restrictions on Flagstone's conduct of business. The restrictions may prevent Flagstone from pursuing otherwise attractive business opportunities and making other changes to its business that may arise before completion of the proposed mergers or, if the proposed mergers are abandoned, termination of the merger agreement.

The fairness opinion delivered by Evercore will not reflect changes in circumstances between signing the merger agreement and the completion of the mergers.

Flagstone's board of directors has not obtained an updated fairness opinion as of the date of this proxy statement/prospectus from Evercore, Flagstone's financial advisor. Changes in the operations and prospects of Validus or Flagstone, general market and economic conditions and other factors that may be beyond their control, and on which the fairness opinion was based, may alter the value of Validus or Flagstone or the prices of Validus common shares or Flagstone shares by the time the mergers are completed. The Evercore opinion does not speak as of the time the mergers will be completed or as of any date other than the date of the opinion. Because Flagstone does not anticipate asking Evercore to update its opinion, this opinion only addresses the fairness of the consideration for the mergers, from a financial point of view, at the time the merger agreement was executed. The

opinion is attached to this proxy statement/prospectus as Annex B. For a description of the opinion and a summary of the material financial analyses performed in connection with rendering the opinion, see the section of this proxy statement/prospectus titled *The Mergers Opinion of Flagstone's Financial Advisor*.

The financial analyses and forecasts considered by Evercore and Flagstone's board of directors may not be realized, which may adversely affect the market price of the Validus common shares following the mergers.

In performing its financial analysis and rendering its opinion that the merger consideration is fair, from a financial point of view, to Flagstone shareholders, Evercore reviewed, among other things, projected non-public financial statements and other projected non-public financial data prepared and furnished to it by Flagstone management. See *The Mergers Certain Financial Projections*. These projected non-public financial statements and other projected non-public financial data were prepared by the management of Flagstone and were also considered by Flagstone's board of directors. None of the projected non-public financial statements and other projected non-public financial data was prepared with a view toward public disclosure or compliance with the published guidelines of the SEC or the American Institute of Certified Public Accountants regarding projections and forecasts. These projections are inherently based on various estimates and assumptions that are subject to the judgment of those preparing them. These projections are also subject to significant economic, competitive, industry and other uncertainties and contingencies, all of which are difficult or impossible to predict and many of which are beyond the control of Validus and Flagstone. Accordingly, there can be no assurance that Flagstone's financial condition or results of operations will not be significantly worse than those set forth in such projected non-public financial statements and other projected non-public financial data. Significantly worse financial results could have a material adverse effect on the market price of Flagstone shares prior to the completion of the mergers or the Validus common shares following the completion of the mergers.

Flagstone's counterparties may acquire certain rights in connection with the completion of the mergers, which could negatively affect Validus following the mergers.

Flagstone is party to numerous contracts, treaties, agreements, licenses, permits, authorizations and other arrangements that contain provisions giving counterparties certain rights (including, in some cases, termination rights) in the event of a change in control of Flagstone or its subsidiaries. The definition of change in control varies from contract to contract, ranging from a narrow to a broad definition, and in some cases, the change in control provisions may be implicated by the mergers. If a change in control occurs, a ceding company may be permitted to cancel contracts on a cut-off or run-off basis, and Flagstone may be required to provide collateral to secure premium and reserve balances or may be required to cancel and commute a contract, subject to an agreement between the parties that may be settled in arbitration. If a contract is cancelled on a cut-off basis, Flagstone may be required to return unearned premiums, net of commissions. In addition, contracts may provide a ceding company with multiple options, such as collateralization or commutation, that would be triggered by a change in control. Collateral requirements may take the form of trust agreements or be funded by securities held or letters of credit. Upon commutation, the amount to be paid to settle the liability for gross loss reserves typically would be considered a discount to the financial statement loss reserve value, reflecting the time value of money resident in the ultimate settlement of such loss reserves. In certain instances, contracts contain dual triggers, such as a change in control and a ratings downgrade, both of which must be satisfied for the contractual right to be exercisable.

Whether a ceding company would have cancellation rights in connection with the mergers depends upon the language of its agreement with Flagstone. Whether a ceding company exercises any cancellation rights it has would depend on, among other factors, such ceding company's views with respect to the financial strength and business reputation of Validus following the mergers, the extent to which such ceding company currently has reinsurance coverage with Validus affiliates, the prevailing market conditions, the pricing and availability of replacement reinsurance coverage and Validus ratings following the mergers. Neither Validus nor Flagstone can presently predict the effects, if any, if the mergers are deemed to constitute a change in control under certain of its contracts and other arrangements, including the extent to which cancellation rights would be exercised, if at all, or the effect on Validus financial condition, results of operations, or cash flows following the mergers, but such effect could be material.

Some of Flagstone's executive officers and directors have financial interests in the completion of the mergers that are different from, or in addition to, those of other Flagstone shareholders. Therefore, some of Flagstone's directors may have a conflict of interest in recommending the proposals being voted on at the extraordinary general meeting.

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 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 approving and recommending to Flagstone shareholders that they approve the merger proposal.

The interests of Flagstone's non-employee directors include 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 Messrs. Slade and Fawcett, certain contractual severance payments in the event of a qualifying termination of employment following the mergers;

with respect to Messrs. Brown, Flitman, Swayne, Fawcett and Slade, 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 Messrs. Boisvert and Traimond, 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 Leyton Limited Warrant to acquire 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. 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.

Flagstone shareholders will have reduced ownership and voting interests after the mergers and will exercise less influence over the management of Validus than they currently exercise over the management of Flagstone.

After the completion of the mergers, Flagstone shareholders will own in the aggregate a significantly smaller percentage of Validus than they currently own of Flagstone. Following completion of the mergers, Flagstone shareholders are expected to own approximately 11.9% of the outstanding Validus common shares on a pro forma fully-diluted basis. Consequently, Flagstone shareholders as a group will have less influence over the management and policies of Validus than they currently exercise over the management and policies of Flagstone.

The Validus common shares to be received by Flagstone shareholders as a result of the mergers will have different rights from Flagstone shares.

Following completion of the mergers, Flagstone shareholders will no longer be shareholders of Flagstone, a Luxembourg joint stock corporation (*société anonyme*), but will instead be shareholders of Validus, a Bermuda exempted company. There will be important differences between your current rights as a Flagstone shareholder and the rights to which you will be entitled as a shareholder of Validus, in part because the laws of Bermuda differ from the laws of Luxembourg. See the section of this proxy statement/prospectus titled *Comparison of Shareholders Rights* for additional information about the different rights associated with Validus common shares.

Each of Validus and Flagstone will be exposed to underwriting and other business risks during the period that each party's business continues to be operated independently from the other.

Until the completion of the mergers, each of Validus and Flagstone will operate independently from the other in accordance with such party's distinct underwriting guidelines, investment policies, referral processes, authority levels and risk management policies and practices. As a result, during this period, Flagstone may assume risks that Validus would not have assumed for itself, accept premiums that, in Validus judgment, do not adequately compensate it for the risks assumed, make investment decisions that would not adhere to Validus' investment policies or otherwise make business decisions or take on exposure that, while consistent with Flagstone's general business approach and practices, are not the same as those of Validus. Significant delays in completing the mergers will materially increase the risk that Flagstone will operate its business in a manner that differs from how the business would have been conducted by Validus.

Risk Factors Relating to Flagstone's Business

You should read and consider carefully other risk factors specific to Flagstone's businesses that will also affect Validus after the mergers, described in Part I, Item 1A of Flagstone's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and other documents that have been filed by Flagstone with the SEC and which are incorporated by reference into this proxy statement/prospectus.

Risk Factors Relating to Validus' Business

You should read and consider carefully other risk factors specific to Validus' businesses that will also affect Validus after the mergers, described in Part I, Item 1A of the Validus' Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and other documents that have been filed by Validus with the SEC and which are incorporated by reference into this proxy statement/prospectus.

Risk Factors Relating to Validus Following the Mergers

Future results of Validus may differ materially from the Unaudited Condensed Consolidated Pro Forma Combined Financial Information of Validus presented in this proxy statement/prospectus.

The future results of Validus following the completion of the mergers may be materially different from those shown in the Unaudited Condensed Consolidated Pro Forma Combined Financial Information presented in this proxy statement/prospectus, which show only a combination of Validus' and Flagstone's historical results after giving effect to the mergers. Validus has estimated that it will record approximately \$20 million in transaction expenses, as described in the notes to the Unaudited Condensed Consolidated Pro Forma Combined Financial Information included in this proxy statement/prospectus. In addition, the mergers and post-merger integration process may give rise to unexpected liabilities and costs, including costs associated with the defense and resolution of possible litigation or other claims. Unexpected delays in completing the mergers or in connection with the post-merger integration process may significantly increase the related costs and expenses incurred by Validus and Flagstone.

SPECIAL NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information contained or incorporated by reference into this proxy statement/prospectus, may include forward-looking statements, both with respect to Validus and Flagstone and their industries, that reflect their current views with respect to future events and financial performance. Statements that include the words expect, intend, plan, believe, project, anticipate, will, and similar statements of a future or forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond Validus and Flagstone's control. Accordingly, there are or will be important risks and uncertainties that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. Validus and Flagstone believe that these risks and uncertainties include, but are not limited to, the following: (1) unpredictability and severity of catastrophic events; (2) issues relating to claims and coverage that may emerge from changing industry practices or changing legal, judicial, social or other environmental conditions; (3) rating agency actions; (4) adequacy of Validus and Flagstone's risk management and loss limitation methods; (5) competition in the insurance and reinsurance markets; (6) cyclicality of demand and pricing in the insurance and reinsurance markets; (7) adequacy of Validus and Flagstone's respective loss reserves; (8) the estimates and judgments that Validus and Flagstone use in preparing their respective financial statements, which are more difficult to make than if Validus and Flagstone were mature companies; (9) retention of key personnel; (10) potential conflicts of interest with Validus and Flagstone's respective officers and directors; (11) continued availability of capital and financing; (12) potential loss of business from one or more major insurance or reinsurance brokers; (13) the credit risk that each of Validus and Flagstone assume through their dealings with their respective insurance and reinsurance brokers; (14) Validus and Flagstone's respective ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to develop accurate actuarial data to support the business and regulatory and reporting requirements; (15) the risk that Validus and Flagstone could be bound to policies that contravene their respective underwriting guidelines by managing general agents and other third parties who support certain of their businesses; (16) availability of reinsurance and retrocessional coverage; (17) the effect on Validus and Flagstone's investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; (18) the impact of currency fluctuations on Validus and Flagstone's operating results; (19) the impact of heightened European sovereign debt risk on Validus and Flagstone's fixed income portfolios; (20) the integration of Flagstone or other businesses Validus may acquire or new business ventures Validus may start; (21) the legal, regulatory and tax regimes under which Validus and Flagstone operate; and (22) acts of terrorism or outbreak of war, as well as Validus and Flagstone management's response to any of the aforementioned factors.

Additionally, the mergers are subject to risks and uncertainties, including: (A) that Validus and Flagstone may be unable to complete the mergers because, among other reasons, conditions to the completion of the mergers may not be satisfied or waived; (B) uncertainty as to the timing of completion of the mergers, (C) uncertainty as to the actual premium (if any) that will be realized by Flagstone shareholders in connection with the mergers; (D) uncertainty as to the long-term value of Validus common shares; (E) failure to realize the anticipated benefits of the mergers, including as a result of failure or delay in integrating Flagstone's businesses into Validus; and (F) the outcome of any legal proceedings to the extent initiated against Validus, Flagstone and others following the announcement of the mergers, as well as Validus and Flagstone management's response to any of the aforementioned factors.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the risk factors set forth in the section of this proxy statement/prospectus titled *Risk Factors* and those included in Validus' most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q and the risk factors included in Flagstone's most recent reports on Form 10-K and Form 10-Q and other documents of Validus and Flagstone on file with the SEC. Any forward-looking statements made or referenced in this proxy statement/prospectus are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Validus or Flagstone will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Validus or Flagstone or their respective businesses or operations. Each forward-looking statement speaks only as of the date of the particular statement and, except as may be required by applicable law, Validus and Flagstone undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

THE COMPANIES

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.

THE EXTRAORDINARY GENERAL MEETING

This proxy statement/prospectus is being provided to Flagstone shareholders as part of a solicitation of proxies by Flagstone's board of directors for use at the extraordinary general meeting of shareholders to be held at the time and place specified below, and at any properly convened meeting following an adjournment, reconvenement or postponement thereof. This proxy statement/prospectus provides Flagstone shareholders with important information they need to know to be able to vote, or instruct their brokers, banks, trustees or other nominees to vote, at the extraordinary general meeting or any adjournment, reconvening or postponement thereof.

Date, Time and Place of the Extraordinary General Meeting

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

Purpose of the Extraordinary General Meeting

At the meeting, Flagstone's board of directors will ask Flagstone's shareholders to consider and vote on:

Extraordinary Business

1. The merger proposal, which is 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, upon hearing (1) the special merger report of the board of directors of Flagstone pursuant to Article 265 of the 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.

Special Business

2. The non-binding compensation proposal, which is a non-binding, advisory proposal required under 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) (see the section titled *The Mergers Interests of Flagstone's Directors and Executive Officers in the Mergers Advisory Vote on Golden Parachutes*. 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.

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.

Recommendation of Flagstone's Board of Directors

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.**

Number of Shares Outstanding, Record Date and Voting Rights

Only holders of record of Flagstone shares as of the close of business on , 2012, the record date, will be entitled to notice of, and to vote at, the extraordinary general meeting or any adjournment, reconvening or postponement thereof. As of the close of business on the record date, approximately Flagstone shares were issued and outstanding and entitled to notice of, and to vote at, the extraordinary general meeting. Flagstone shareholders have one vote for each share held by them (subject to the limitations on voting rights set forth in Section 51A of the Flagstone articles of incorporation, to the extent applicable, see the section of this proxy statement/prospectus titled *The Extraordinary General Meeting Voting Cutback Under Flagstone s Articles of Incorporation*).

Voting by Flagstone s Directors and Executive Officers

As of the close of business on the record date, Flagstone s directors, executive officers and their affiliates owned or controlled approximately Flagstone shares, or approximately % of the Flagstone shares outstanding as of that date.

Entities affiliated with Lightyear, with which Mr. Stewart Gross (a Flagstone director) is affiliated, and entities affiliated with Trilantic, with which Mr. E. Daniel James (a Flagstone director) is affiliated, have entered into the voting agreements pursuant to which these affiliates have agreed to vote all of their respective Flagstone shares (subject to the limitations on voting rights set forth in Section 51A of the Flagstone articles of incorporation, to the extent applicable) in favor of, and to otherwise support, the merger proposal. As of the close of business on the record date, these shareholders owned or controlled Flagstone shares, or approximately % of the Flagstone shares outstanding on that date. See the section of this proxy statement/prospectus titled *The Voting Agreements* .

Excluding the Flagstone shares subject to the voting agreements described above, as of the close of business on the record date, Flagstone s directors, executive officers and their affiliates owned or controlled approximately Flagstone shares, or approximately % of the Flagstone shares outstanding as of that date. Flagstone currently expects that Flagstone s directors and executive officers will vote their Flagstone shares in favor of each of the proposals to be considered at the extraordinary general meeting.

In considering the recommendation of Flagstone s board of directors that Flagstone s shareholders vote to approve the merger proposal, you should be aware that 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. 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.

Voting Agreements

See the section of this proxy statement/prospectus titled *The Voting Agreements*.

Voting Cutback Under Flagstone s Articles of Incorporation

There are provisions in Flagstone s articles of incorporation that may reduce or increase the voting rights of the holders of Flagstone shares. In general, and except as provided below, shareholders have one vote for each Flagstone share held by them and are entitled to vote at all meetings of Flagstone s shareholders. However, if, and so long as, the shares of a Flagstone shareholder are treated as controlled shares (as generally determined under Section 958 of the Code and the Treasury Regulations promulgated thereunder and under Section 957 of the Code) of any U.S. Person (as defined in Section 7701(a)(30) of the Code) and the controlled shares constitute 9.9% or more of the votes conferred by Flagstone s issued shares, the voting rights with respect to the controlled shares of the U.S. Person (which we refer to as a 9.9% U.S. Shareholder) will be limited, in the aggregate, to a voting power of less than 9.9% under a formula specified in Flagstone s articles of incorporation. The reduction in votes is generally to be applied proportionately among all the controlled shares of the 9.9% U.S. Shareholder. The formula is applied repeatedly until the voting power of each 9.9% U.S. Shareholder has been reduced below 9.9%. Controlled shares include all Flagstone shares that a U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of Section 958 of the Code). The amount of any reduction of votes that occurs by

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operation of the above limitations will generally be reallocated proportionately among all other Flagstone shareholders so long as the reallocation does not cause any U.S. shareholder to become a 9.9% U.S. Shareholder.

Under these provisions, certain Flagstone shareholders may have their voting rights limited to less than one vote per Flagstone share, while other Flagstone shareholders may have voting rights increased to in excess of one vote per Flagstone share. Moreover, these provisions could have the effect of reducing the votes of certain Flagstone shareholders who would not otherwise be subject to the 9.9% limitation by virtue of their direct ownership of Flagstone shares.

The foregoing summary is qualified in its entirety by reference to the relevant provisions in Flagstone's articles of incorporation.

Voting Procedures

Quorum; Adjournment

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 conduct of all business at the extraordinary general meeting. Abstentions (Flagstone shares for which proxies have been received but for which the holders have abstained from voting) 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.

If a quorum is not present, or if during the meeting a quorum ceases to be present, the extraordinary general meeting will be dissolved. A second meeting may subsequently be convened in accordance with the Flagstone articles of incorporation, at which meeting the presence, in person or represented by proxy, of one shareholder shall be a quorum.

Subject to applicable law, the board of directors (1) may adjourn the extraordinary general meeting for four weeks and (2) must adjourn the extraordinary general meeting for four weeks if directed by shareholders representing 20% or more of the total issued and outstanding Flagstone shares. Only business that could properly have been transacted at the meeting had the adjournment not taken place may be transacted at any adjourned meeting.

Vote Required for Approval; Abstentions and Broker Non-Votes

The approval of the merger proposal requires the affirmative vote of at least three-fourths of the Flagstone shares present, in person or represented by proxy, at the extraordinary general meeting. Abstentions are considered to be shares present, and thus will have the same effect as a vote AGAINST the merger proposal. If your shares are held in street name as of the close of business on the record date, broker non-votes are not considered to be present. Thus, 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 (assuming a quorum is present). Entities affiliated with Lightyear, with which Mr. Stewart Gross (a Flagstone director) is affiliated, and entities affiliated with Trilantic, with which Mr. E. Daniel James (a Flagstone director) is affiliated, have entered into voting agreements pursuant to which these affiliates have agreed to vote all of their respective Flagstone shares (subject to the limitations on voting rights set forth in Section 51A of the Flagstone articles of incorporation, to the extent applicable) in favor of, and to otherwise support, the merger proposal (see the section of this proxy statement/prospectus titled *The Voting Agreements*. As of the close of business on the record date, these shareholders held approximately Flagstone shares, or approximately % of the Flagstone shares outstanding on that date.

The approval of the non-binding compensation proposal requires the affirmative vote of at least two-thirds of the Flagstone shares present, in person or represented by proxy, at the extraordinary general meeting. Abstentions are considered to be shares present, and thus will have the same effect as a vote AGAINST the non-binding compensation proposal. 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, broker non-votes are not considered to be present. Thus, whether

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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 non-binding compensation proposal (assuming a quorum is present).

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.

Voting in Person

If you hold your shares directly in your name, you may vote in person at the extraordinary general meeting. 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. Even if you plan to attend the extraordinary general meeting, Flagstone recommends that you also submit your proxy or voting instruction card as described below to ensure that your vote will be counted.

If you hold your shares directly in your name and intend to vote in person at the extraordinary general meeting, please be prepared to provide proper identification, such as a driver's license or passport. If your shares are held in street name through a broker, bank, trustee or other nominee, you will need to provide proof of ownership, such as a recent account statement or letter from your broker, bank, trustee or other nominee, along with proper identification.

Submitting Your Proxy

Whether you hold Flagstone 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, you may submit your proxy by 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.

You may abstain on any of the proposals by marking ABSTAIN with respect to any proposal.

If you do not appoint a proxy and you do not vote at the extraordinary general meeting, you will still be bound by the outcome. You therefore are strongly urged to submit your proxy or voting instruction card as soon as possible.

For additional questions about the mergers, assistance in submitting proxies or voting your shares, or to request additional copies of this proxy statement/prospectus or the enclosed proxy card, please contact:

Okapi Partners LLC
437 Madison Avenue
28th Floor
New York, New York 10022
Toll-Free: (855) 208-8902
Collect: (212) 297-0720

Revocability of Proxy

If your shares are held directly in your name, you may change your vote in one of the following three ways at any time before it is exercised:

timely delivery of written notification to Flagstone's registered office 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.

Your presence without voting at the extraordinary general meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken. 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 in revoking your previously granted proxy.

Appraisal Rights and Dissenters' Rights

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

Persons Making the Solicitation

Proxies in the form enclosed are being solicited by Flagstone's board of directors. The persons named in the accompanying proxy card have been designated as proxies by Flagstone's board of directors. These persons designated as proxies serve as officers of Flagstone.

The expense of soliciting proxies with this proxy statement/prospectus will be borne by Flagstone. Flagstone has engaged Okapi Partners LLC as the proxy solicitor for the extraordinary general meeting for an estimated fee of \$40,000, plus reimbursement of out-of-pocket expenses. In addition to the use of the mails and the Internet, certain of Flagstone's directors, officers or employees may solicit proxies by telephone or personal contact. Upon request, Flagstone will reimburse brokers, banks, trustees or other nominees for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of Flagstone shares.

Assistance

If you need assistance in completing your proxy card or have questions regarding the extraordinary general meeting, please contact Okapi Partners LLC at 437 Madison Avenue, 28th Floor, New York, New York 10022, call collect at (212) 297-0720 or call toll-free at (855) 208-8902.

THE MERGERS

General

On August 30, 2012, Validus, Flagstone, Merger Sub and Flagstone Bermuda entered into the merger agreement. The merger agreement provides for (1) the merger of Flagstone with and into Flagstone Bermuda pursuant to which Flagstone Bermuda will survive as a Bermuda exempted company and as successor-in-interest to Flagstone, and (2) immediately following the first-step merger, the merger of Flagstone Bermuda with and into Merger Sub pursuant to which Merger Sub will, as a Bermuda exempted company, be the surviving company. As a result, immediately following the mergers, the successor-in-interest to Flagstone will be a wholly owned subsidiary of Validus.

Background of the Mergers

Flagstone commenced operations in December 2005. On March 30, 2007, Flagstone's common shares began trading on the NYSE. In 2010, Flagstone completed a redomestication to change its jurisdiction of incorporation from Bermuda to Luxembourg and it has existed as a joint stock corporation (*société anonyme*) under the laws of Luxembourg since May 17, 2010.

The board of directors and senior management of Flagstone regularly review and evaluate Flagstone's long-term strategic plans with the goal of maximizing shareholder value. As part of this ongoing process, Flagstone's board of directors and senior management from time to time consider a variety of potential options with respect to Flagstone and its businesses, including possible acquisitions, divestitures and business combination transactions.

In the summer of 2011, another company in the reinsurance industry approached Flagstone in connection with a potential business combination, and Flagstone and this company engaged in preliminary discussions but no transaction was finalized. In connection with these discussions and Flagstone's ongoing consideration of possible options, Flagstone engaged Goldman, Sachs & Co. (which we refer to as Goldman Sachs) to serve as its financial advisor.

On October 24, 2011, Flagstone announced a strategic decision to divest its ownership positions in its Lloyd's and Island Heritage reporting segments in order to address changing business conditions, refocus its underwriting strategy on its property catastrophe reinsurance business and reduce its focus on reporting segments that absorb capital and produce lower returns. In addition to the proposed divestitures, Flagstone undertook significant cost cutting measures, which were intended to improve Flagstone's competitive position, including closing offices in Dubai and Puerto Rico and pursuing the downsizing of Flagstone's global operations through reduction in workforce in India and South Africa and additional streamlining of its global back office, support, analytical and other operations to one location in Halifax, Canada.

From late 2011 through January 2012, several parties approached Mr. David Brown, Flagstone's Chief Executive Officer, on an unsolicited basis to inquire as to whether Flagstone would be interested in discussing a business combination transaction. Mr. Brown discussed these approaches with members of the finance committee of Flagstone's board of directors (which we refer to as the finance committee) who indicated a consensus to discuss the matter with Flagstone's board of directors promptly. Messrs. David Brown, Stewart Gross, E. Daniel James, Jan Spiering and Wray Thorn (Chairman) are the members of Flagstone's finance committee.

On February 14, 2012, at a meeting of Flagstone's board of directors, the directors discussed, among other things, the unsolicited inbound calls Mr. Brown had received over the past several months as well as the current status of Flagstone's business and industry. During this meeting, representatives of Cravath, Swaine & Moore LLP (which we refer to as Cravath), Flagstone's outside legal counsel, discussed the fiduciary duties of Flagstone's board of directors under applicable law as well as topics specific to a potential business combination transaction. In addition, a representative of Goldman Sachs reviewed Goldman Sachs' preliminary financial analyses of selected

potential strategic options available to Flagstone. After discussion, Flagstone's board of directors determined that a potential business combination transaction with a third party could be an attractive option for Flagstone shareholders and that Flagstone should begin an organized process to review strategic options rather than responding individually to inbound inquiries. After discussion among the members of Flagstone's board of directors and a representative of Goldman Sachs, Flagstone's board of directors determined to contact seven potential acquirors (including Validus) selected based on, among other things, the likelihood that these acquirors would have interest in a potential transaction and their ability to complete a transaction. Flagstone's board of directors also delegated authority to the finance committee to lead the process to consider a potential business combination transaction.

Following the meeting of Flagstone's board of directors on February 14, 2012, representatives of Goldman Sachs contacted the potentially interested parties as directed by Flagstone's board of directors. In addition to these outbound contacts, Mr. Brown and representatives of Goldman Sachs also received various inbound calls from other interested parties. Mr. Brown and representatives of Goldman Sachs periodically briefed the finance committee on the status of the review. The finance committee decided that Flagstone's board of directors should decide at the regularly scheduled meeting of the board on March 8, 2012 whether any of the parties that had made inbound calls should be invited to participate in the process.

On March 7, 2012, at Flagstone's request, Validus executed a confidentiality agreement with Flagstone in order to facilitate the disclosure of confidential information relating to Flagstone.

On March 8, 2012, at a regularly scheduled meeting of Flagstone's board of directors, a representative of Goldman Sachs updated the directors on the status of the review process and made a preliminary financial analysis of Flagstone. Flagstone's board of directors then discussed whether to expand the process to include other parties that had made inbound calls. Following discussion, Flagstone's board of directors instructed Goldman Sachs to invite the parties that had made inbound calls to Flagstone to participate in the process. During this meeting, a representative of Goldman Sachs informed Flagstone's board of directors that a fund managed by an affiliate of Goldman Sachs had an investment representing approximately 20% of the economic interests in one of the parties that had made an inbound call to Flagstone. After discussion with Cravath, Flagstone's board of directors determined that the finance committee would discuss this topic at its forthcoming meetings.

On March 14, 2012, Mr. Jeff Consolino, the President and Chief Financial Officer of Validus, informed a representative of Goldman Sachs that Validus was not interested in pursuing a transaction with Flagstone at that time.

Between March 12, 2012 and March 19, 2012, the finance committee met several times and, with advice from representatives of Cravath, determined to engage Evercore Group L.L.C. (which we refer to as "Evercore") as a financial advisor in light of the participation of a party in which a fund managed by an affiliate of Goldman Sachs had an investment representing approximately 20% of the economic interests of such party. The engagement of Evercore was based on Evercore's qualifications and existing familiarity with Flagstone and its businesses. At the time, Evercore was working for Flagstone in connection with its divestiture of its Lloyd's business; see *Opinion of Flagstone's Financial Advisor* for additional information. On March 19, 2012, Goldman Sachs notified Flagstone that Goldman Sachs believed that it should no longer serve as a financial advisor to Flagstone in connection with the consideration of potential strategic options and on March 20, 2012, Flagstone and Goldman Sachs mutually agreed to terminate Goldman Sachs' engagement (including Goldman Sachs waiving any fees payable by Flagstone in connection with its engagement).

Between March 8, 2012 and April 6, 2012, Mr. Brown and Flagstone's representatives held preliminary discussions with the parties that had shown interest in pursuing a transaction with Flagstone and provided regular updates on these discussions to the finance committee and an update to Flagstone's board of directors on March 28, 2012. On March 30, 2012, at a meeting of the finance committee, the finance committee directed Evercore to open a virtual data room to parties that had signed confidentiality agreements to facilitate the submission of proposals from these parties. Between March 30, 2012 and April 13, 2012, several of these parties provided preliminary indications of interest to Flagstone.

On April 13, 2012, at a meeting of the finance committee, representatives of Evercore provided a summary of the initial indications of interest that Flagstone had received to date in connection with Flagstone's review process

and an update on the discussions with the interested parties. The finance committee authorized representatives of Evercore to send to each of the parties that continued to show interest in a possible transaction a process letter requesting the submission of each party's proposal to acquire 100% of the shares of Flagstone. These letters, which Evercore sent to seven interested parties in the days following April 13, 2012, indicated that the deadline for submitting a bid was May 4, 2012, and requested that the parties return a markup of a form of merger agreement to be provided by Cravath.

Between April 13, 2012 and May 4, 2012, members of Flagstone's senior management and representatives of Evercore held due diligence sessions, including management presentations, with several of the interested parties and responded to due diligence requests.

On May 4, 2012, Flagstone received written proposals from five interested parties (including markups of the draft merger agreement).

On May 7, 2012, at a meeting of the finance committee, representatives of Evercore and Cravath reviewed for the finance committee the proposals that Flagstone had received, including the contingencies associated with each proposal. After discussion, the members of the finance committee determined to recommend to Flagstone's board of directors that Flagstone continue to work with two parties (which we refer to as Party A and Party B) that had submitted the most favorable of the proposals thus far in order to determine whether a transaction could be finalized on attractive terms. Party A's proposal offered a mix of cash and publicly-traded stock, and Party B's proposal offered all cash. On May 8, 2012, Flagstone's board of directors met to review the five proposals that had been submitted and, after discussion, determined to follow the finance committee's recommendation. On May 17, 2012, at a regularly scheduled meeting, Flagstone's board of directors received updates from Flagstone's senior management and representatives of Evercore and Cravath and instructed them to continue discussions with Party A and Party B.

In late May 2012, discussions with Party A were terminated due to, among other reasons, a disagreement between Flagstone and Party A with respect to the value of Party A's proposal, concerns regarding the feasibility and complexity of the proposed transaction and possible regulatory obstacles to consummating the proposed transaction. In early June 2012, Party B withdrew from the process as it was unable to secure financing for a transaction. At meetings of the finance committee on June 1, 2012 and June 13, 2012, Mr. Brown and representatives of Evercore and Cravath provided updates on the status of the review process reflecting these developments.

On June 19, 2012, at a meeting of Flagstone's board of directors, representatives of Evercore reviewed the status of the process in light of the termination of discussions with Party A and Party B. Mr. Brown and other members of Flagstone's senior management also reviewed the strategic and operating options available to Flagstone, including continuing to pursue a standalone strategy, continuing the business with a scaled-down management team and business plan and pursuing a self-administered or externally-assisted runoff. After discussion, Flagstone's board of directors determined that a party that had submitted a proposal on May 4, 2012 (which we refer to as Party C) should be re-approached to determine whether a sale transaction on attractive terms was possible with Party C. Following Flagstone's board of directors' meeting on June 19, 2012, representatives of Evercore re-approached Party C as directed by Flagstone's board of directors.

After being re-approached by representatives of Evercore, Party C indicated continued interest in pursuing an acquisition of Flagstone. On July 3, 2012, Party C provided a preliminary non-binding all-cash indication of interest of \$8.50 per share of Flagstone, which was subject to due diligence, confirmation of Party C's assumptions and the availability of financing. Shortly thereafter, Party C's access to the data room was renewed.

As discussions were proceeding in 2012, Flagstone continued to implement the strategic initiatives it announced in October 2011 to realign its strategy and core capabilities. By June 2012, Flagstone had:

continued its efforts to refocus on core capabilities in property and property catastrophe lines of business and significantly reduced its underwriting leverage with net premiums written from continuing operations for the six months ended June 30, 2012 of \$250.2 million compared to \$453.6 million for the six months ended June 30, 2011;

announced or completed divestitures of its Island Heritage and Lloyd's segments, releasing capital previously supporting these business segments (the sale of Island Heritage was completed on April 5, 2012 to BF&M Limited, and the sale of its Lloyd's operation to a wholly owned subsidiary of ANV Holdings BV, which was announced on April 3, 2012, and completed on August 20, 2012); and

continued its expense reduction initiatives.

In late June 2012, Mr. Gross met with Mr. Alok Singh, a member of Validus's board of directors. Although the initial purpose of the meeting was to discuss topics other than a potential business combination between Flagstone and Validus, following the meeting Mr. Singh arranged for Mr. Consolino and Mr. Ed Noonan, the Chairman and Chief Executive Officer of Validus, to meet with Mr. Gross. After this meeting, Validus on July 2, 2012 expressed renewed interest in a possible transaction with Flagstone.

Between July 2, 2012 and July 6, 2012, after receiving the approval of the members of the finance committee, Mr. Brown spoke with Mr. Consolino a number of times on a preliminary basis about a potential transaction and valuation and agreed to provide Validus with access to Flagstone's data room.

On July 9, 2012, Validus submitted a non-binding indication of interest valued at \$8.40 per share of Flagstone (consisting of \$2.00 in cash and the balance in shares of Validus), which indicated that the definitive agreement (if discussions advanced to that stage) would provide Flagstone with a reasonable degree of closing certainty.

On July 10, 2012 and July 13, 2012, at meetings of the finance committee, Mr. Brown and representatives of Evercore updated the finance committee on the status of discussions with Party C and Validus. During these updates, Mr. Brown told the other members of the finance committee that Party C had requested an exclusivity period so that it could continue with its due diligence process and submit a revised proposal. After discussion, the finance committee determined not to grant Party C an exclusivity period, as Party C had already been provided with a lengthy period to conduct due diligence, arrange definitive financing plans and submit a revised proposal and Flagstone was also in discussions with Validus.

On July 12, 2012, after Flagstone had executed a confidentiality agreement, Validus provided Flagstone with access to certain due diligence materials relating to Validus. Between July 10, 2012 and July 25, 2012, representatives of Validus and Flagstone engaged in numerous due diligence meetings and discussions, during which representatives of Flagstone's senior management worked with representatives of Validus to encourage Validus to increase the value of its indication of interest. During this same period, Party C continued its due diligence process and made limited contact with Flagstone and its representatives.

On July 25, 2012, at the direction of the finance committee, Mr. Brown sent a draft merger agreement to Mr. Consolino so that Validus and its advisors could begin to consider the structure of a potential transaction. Also on July 25, 2012, Mr. Consolino spoke with Mr. Brown and informed him that, based on Validus's due diligence analysis of Flagstone, Validus was not able to increase its price from its indication of interest submitted on July 9, 2012. At a meeting on July 27, 2012, the finance committee determined that Evercore and Flagstone's senior management should continue to work with Validus to try to improve Validus's proposed valuation of Flagstone and should continue to respond to due diligence inquiries from Party C (to the extent Party C submitted them).

On August 9, 2012, Flagstone's board of directors held a regularly scheduled meeting. Members of Flagstone's senior management as well as representatives of Evercore and Cravath attended portions of the meeting. At this meeting, Mr. Brown updated the other directors on the status of discussions with Party C and Validus. A representative of Cravath then reviewed Flagstone's process to date from the perspective of the directors' fiduciary duties under applicable law. The directors then asked Mr. Brown and representatives of Evercore and Cravath questions relating to the relative merits and risks, including business, completion and financing risks, of pursuing a transaction with Party C as compared to Validus, and a discussion ensued. Members of Flagstone's senior management (other than Mr. Brown) and representatives of Evercore then left the meeting, and Flagstone's board of directors met in executive session with Mr. Brown and representatives of Cravath present. During the executive session, the directors discussed the options available to Flagstone to maximize shareholder value, including continuing with Flagstone's current standalone plan, pursuing a scaled-down business plan and pursuing other strategic and

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operating options, including a sale transaction and a self-administered or externally-assisted runoff. After the directors asked Mr. Brown numerous questions about these possible options, Mr. Brown left the meeting. The directors then engaged in a discussion about the various risks and uncertainties associated with the possible options available to Flagstone and the importance of concluding the review process soon irrespective whether the process ultimately resulted in a sale transaction. After Mr. Brown rejoined the meeting, the board of directors directed the finance committee to determine whether a sale transaction could be achieved on attractive terms in a short timeframe.

On August 10, 2012, a representative of Evercore, at the direction of the finance committee, contacted Mr. Consolino and requested a firm and final indication of interest so that the finance committee and Flagstone's board of directors could consider and evaluate Validus' best offer.

On August 13, 2012, Mr. Edward Noonan, the Chief Executive Officer of Validus, and Mr. Consolino spoke with representatives of Evercore and indicated that Validus would be including a price range of \$8.00 to \$8.50 in its revised indication of interest. Representatives of Evercore requested that instead of including a price range, Validus include the best possible bid it was willing to submit so as to allow Flagstone's board of directors and finance committee to definitively evaluate Validus' bid and determine whether it was in the best interests of Flagstone shareholders to pursue a potential transaction with Validus.

On August 14, 2012, Messrs. Noonan and Consolino told representatives of Evercore via telephone that Validus would be reducing the value of its bid due to the risks and complexities involved in Flagstone's business. Later that day, Validus provided a revised indication of interest valued at \$8.15 per Flagstone share (consisting of \$2.00 in cash and the balance in shares of Validus). The other terms of Validus' submission were substantially similar to the terms contained in Validus' indication of interest submitted on July 9, 2012.

On August 15, 2012, at a meeting of the finance committee, the members of the finance committee discussed the appropriate response to Validus' revised offer and the likelihood that Validus would increase its offer. The members of the finance committee also discussed the value that pursuing Flagstone's standalone plan or other strategic and operating options might deliver to Flagstone shareholders as compared to accepting an attractive proposal from Validus, taking into account the execution risk of pursuing Flagstone's standalone or modified standalone business plan. After discussion, the members of the finance committee instructed Mr. Gross to contact Mr. Singh and indicate that the finance committee would not recommend Validus' revised offer to Flagstone's board of directors and to encourage Validus to submit its best and final offer at a higher price.

From August 17, 2012 through August 20, 2012, a series of calls between Mr. Gross and Messrs. Consolino, Noonan and Singh took place in which Mr. Gross, with input from Mr. Brown, addressed some of Validus' concerns regarding specific risks in Flagstone's business and encouraged Validus to increase the price of its offer. In response, the representatives of Validus indicated to Mr. Gross that they would be willing to submit a revised bid of \$8.40 per share.

On August 20, 2012, a meeting of the finance committee was held to determine the appropriate response to Validus' latest offer. At the request of the other members of the finance committee, Mr. Brown provided his views on the relative merits and risks of a potential transaction with Validus. Mr. Brown noted that after the combination of the two companies, Flagstone shareholders would have the benefit of owning more liquid shares of a larger, more diversified, company in a similar line of business as Flagstone. Mr. Brown also compared Flagstone's current market valuation (based on its multiple to book value) to that of its industry peers, Validus and the combined company following a merger. Mr. Brown also discussed Flagstone's prospects as a standalone business in light of Flagstone's small size relative to its peers and the timing and execution risks associated with a scaling down of Flagstone's business. After discussion, the members of the finance committee determined that, considering the value that was being offered by Validus and the execution risks of the other strategic and operating options available to Flagstone, it was appropriate and in the best interests of Flagstone shareholders to continue to pursue a transaction with Validus. The finance committee concluded that Validus would likely be willing to improve its offer further, and instructed the representatives of Evercore to inform Validus that the members of the finance committee would be willing to recommend a bid of \$8.50 per share (consisting of \$2.00 in cash and the balance in shares of Validus) to Flagstone's board of directors for consideration. Later in the evening of August 20, 2012, representatives of Evercore delivered this message to Mr. Consolino, and Mr. Consolino indicated that Validus would submit a revised written offer for \$8.50 per share the following day, and that this would represent Validus' best and final offer.

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On August 21, 2012, Validus submitted a revised written offer of \$2.00 in cash and 0.1935 Validus shares per share of Flagstone (or \$8.50 per share of Flagstone based on the closing price of Validus common shares on August 20, 2012). The other terms of Validus' offer were substantially similar to the terms contained in Validus' indications of interest submitted on July 9, 2012 and August 14, 2012.

On August 22, 2012, Flagstone's board of directors held a meeting to consider the revised proposal received from Validus. The members of the finance committee indicated that, after deliberation, the finance committee had resolved to recommend Validus' offer to the board. Representatives of Evercore reviewed the key terms and presented various financial analyses of Validus' revised proposal. Representatives of Evercore also discussed Flagstone's other available options, including proceeding on a standalone basis and pursuing a possible transaction with Party C, and highlighted the significant risks associated with these options. With respect to a possible transaction with Party C, the representatives of Evercore noted that Flagstone had not received a formal proposal from Party C confirming its preliminary non-binding all-cash indication of interest submitted on July 3, 2012, and that there were significant risks associated with Party C's proposal, including financing and execution risks and risks to Flagstone's business. The representatives of Evercore concluded that in their view the proposal from Validus was the most attractive option available to Flagstone. At the request of the other directors, Mr. Brown summarized the due diligence Flagstone and its advisors had performed on Validus. The directors then discussed Flagstone's review process as a whole and the large number of participants that Flagstone and its advisors had contacted regarding a sale transaction during the process. In addition, the directors reviewed and discussed the relative merits and risks of a transaction with Validus and determined that it was in the best interests of Flagstone shareholders to pursue a transaction with Validus considering the value and certainty that Validus' offer provided Flagstone shareholders as compared to the other available options. After additional discussion and deliberation, Flagstone's board of directors instructed the representatives of Evercore to inform Validus that the board of directors would support its offer in principle subject to prompt negotiation of an acceptable merger agreement. Flagstone's board of directors also instructed Mr. Brown to contact Mr. Consolino to establish a plan for the appropriate next steps, and the representatives of Cravath to contact Validus' outside legal counsel Skadden, Arps, Slate, Meagher & Flom LLP (which we refer to as Skadden) to coordinate negotiation of a definitive merger agreement.

On August 22, 2012 and August 23, 2012, Messrs. Brown and Consolino discussed the process and timing for negotiating and finalizing definitive documentation and established a goal of completing the negotiation of a definitive merger agreement by August 30, 2012. On August 23, 2012, Validus and Flagstone exchanged supplemental due diligence requests.

From August 24, 2012 through the announcement of the transaction, Validus and representatives of Skadden continued to perform due diligence on Flagstone, and Flagstone and representatives of Evercore and Cravath continued to perform due diligence on Validus.

In the early hours of August 26, 2012, Skadden delivered to Cravath a revised draft merger agreement.

On the morning of August 27, 2012, at a meeting of the finance committee, a representative of Cravath provided an overview of the comments to the merger agreement received from Skadden, with particular focus on the provisions relating to deal protection and closing certainty included in the revised draft. The representative of Cravath also informed the members of the finance committee that Validus had requested that entities affiliated with Lightyear and Trilantic both of which are major shareholders of Flagstone with representatives on Flagstone's board of directors, enter into voting agreements with Validus. The representative of Cravath then reviewed the terms of the draft voting agreement delivered by Skadden earlier that day. After discussing these provisions and asking questions of the representative of Cravath, the members of the finance committee instructed Cravath as to how to approach certain key issues in negotiations with Skadden later in the day. On the afternoon of August 27, 2012, representatives of Skadden and Validus met with representatives of Cravath to discuss the terms and conditions of the merger agreement.

On the morning of August 28, 2012, at a meeting of the finance committee, a representative of Cravath provided an update on the status of the negotiations. The members of the finance committee and the representatives of Cravath discussed the remaining open issues (including the size of the termination fee, restrictions on Flagstone's ability to solicit competing proposals, restrictions on the ability of Flagstone's board of directors to change its recommendation and Validus' request that the voting agreements contain a tail period requiring Trilantic and Lightyear to vote against any competing proposals for six months after termination of the merger agreement) and the

members of the finance committee provided direction to the representative of Cravath as to how to negotiate these issues. Later in the afternoon of August 28, 2012, Cravath delivered a revised draft merger agreement to Skadden reflecting the results of discussions and resolution of issues to that point in the day. Cravath also delivered a revised draft voting agreement to Skadden later in the evening of August 28, 2012. Later in the evening on August 28, 2012, Validus indicated that it would not enter into the transaction unless the voting agreements contained a form of tail provision, but proposed that the length of the tail be shortened to three months and would only be triggered under specified events.

In the early hours of August 29, 2012, Skadden delivered a revised draft merger agreement to Cravath that reflected the principal deal protection terms the parties had agreed upon, including providing for the ability of Flagstone to engage in discussions and negotiations with parties submitting competing proposals under certain circumstances, the ability of Flagstone's board of directors to change its recommendation under certain circumstances and a reduced termination fee as compared to Validus' original proposal. Drafts and revisions of the merger and voting agreements were subsequently exchanged between the two sides several times prior to the execution of the agreements. On the morning of August 29, 2012, the finance committee again met with a representative of Cravath and, after discussing the status of the negotiations, the finance committee determined that the proposed transaction should be submitted for consideration to Flagstone's board of directors.

On the morning of August 29, 2012, Validus' board of directors met. Prior to the meeting, Validus' directors had been provided with a set of meeting materials, including a draft of the substantially negotiated merger agreement, a copy of a proposed form of voting agreement to be executed by Trilantic and Lightyear and a set of draft board resolutions. At this meeting, Validus' board of directors discussed the terms of the proposed merger agreement. After discussion, Validus' board of directors determined, for the reasons described under *Validus' Reasons for the Mergers*, that it was advisable and in the best interests of Validus to enter into the merger agreement and approved the merger agreement.

On the afternoon of August 29, 2012, Flagstone's board of directors met. Prior to the meeting, Flagstone's directors had been provided with a set of meeting materials, including a draft of the substantially negotiated merger agreement, a copy of a proposed form of voting agreement to be executed by Trilantic and Lightyear, a summary of the board of directors' fiduciary duties under applicable law and the key terms and conditions of the proposed merger agreement prepared by Cravath, a financial analysis of the proposed transaction prepared by Evercore and a set of draft board resolutions. At this meeting, representatives of Cravath reviewed with the directors their fiduciary duties under applicable law, the final terms of the merger agreement and associated agreements that had been negotiated with Validus and Skadden and certain executive compensation matters, and answered the directors' questions. Representatives of Evercore then reviewed with the board their financial analysis of the offer made by Validus and answered the directors' questions. The board of directors then discussed the terms of the proposed merger agreement, as well as the prospects of a superior offer being submitted by Party C or other potential bidders, including a bidder that had participated in the process and had recently submitted an informal offer that would provide Flagstone shareholders with a value at closing below the value of Validus' offer at the time and the possibility of additional value based on post-closing contingencies, and concluded that a proposal superior to Validus' was unlikely to be forthcoming and that the current proposed deal with Validus represented Flagstone's best option for maximizing shareholder value. Evercore then delivered to the board its oral opinion, subsequently confirmed in writing, to the effect that, as of August 29, 2012, and subject to the factors, assumptions, qualifications and limitations set forth therein, the consideration to be paid to the holders of the outstanding shares of Flagstone under the merger agreement was fair, from a financial point of view, to such holders. After further discussion, Flagstone's board of directors unanimously determined, for the reasons described under *Flagstone's Reasons for the Mergers; Recommendation of Flagstone's Board of Directors* below, that the mergers, on the terms and subject to the conditions set forth in the merger agreement, were fair to, and in the best interests of, Flagstone and its shareholders and approved the merger agreement and the transactions contemplated by the merger agreement, and resolved that the merger agreement, the first-step merger and the first-step statutory merger agreement be submitted to the shareholders of Flagstone for their consideration at a meeting of shareholders and to recommend that the shareholders of Flagstone vote their shares in favor of the approval of the merger agreement, the first-step merger and the first-step statutory merger agreement.

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The merger agreement and the voting agreements were executed on the morning of August 30, 2012, and Flagstone and Validus announced the transaction through a joint press release issued that morning prior to the open of the U.S. financial markets.

Flagstone's Reasons for the Mergers; Recommendation of Flagstone's Board of Directors

Flagstone's board of directors has unanimously (1) approved the merger agreement and the transactions contemplated by the merger agreement (including the mergers) (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.**

Considerations and Factors Weighing in Favor of the Mergers

In reaching its decision on August 29, 2012, to unanimously approve the merger agreement and the transactions contemplated by the merger agreement, Flagstone's board of directors consulted with members of Flagstone's management, as well as with Flagstone's legal and financial advisors, and considered a variety of factors weighing positively in favor of the mergers, including the following:

the value to be received by Flagstone shareholders in the proposed transaction, including the fact that the merger consideration represented a premium of 19.4% over the closing share price of Flagstone shares on August 29, 2012, the last trading day prior to the execution of the merger agreement, and a 23.0% premium over the average closing price of Flagstone's shares during the month prior to that date, in each case, based on the closing share price of Validus common shares on August 29, 2012;

the fact that Flagstone's board of directors conducted a thorough and intensive strategic review process that included proposals from and negotiations with multiple parties, but did not yield another potential sale transaction that was more attractive to Flagstone shareholders than the proposed transaction with Validus (with due regard to closing certainty);

the determination by Flagstone's board of directors that Validus' offer represented the best opportunity to maximize shareholder value available to Flagstone and that none of the other strategic and operating options available to Flagstone (including remaining independent and pursuing Flagstone's standalone plan or executing a scaled-down business plan) was likely to present an opportunity that is equal or superior to the proposed transaction with Validus or to create value for Flagstone shareholders that is equal to or greater than the value created by the proposed transaction in the foreseeable future, after considering the risks, potential advantages, uncertainties and time required to execute these other strategic and operating options;

the financial analysis of Evercore, Flagstone's financial advisor in connection with the mergers, and the opinion of Evercore to Flagstone's board of directors, dated as of August 29, 2012, which stated that as of such date and based upon and subject to the assumptions made, factors considered and limitations on the scope of review of Evercore as set forth therein, the consideration to be paid to the holders of Flagstone shares pursuant to the merger agreement was fair, from a financial point of view, to such holders, as more fully described in the section titled *Opinion of Flagstone's Financial Advisor*;

the possibility that, if Flagstone did not enter into the merger agreement, (1) it could take a considerable period of time before the trading price of Flagstone's shares would return to and sustain \$8.43 per share (the per share value of Validus' offer at the time of announcement) as adjusted for present value, and (2) potential losses due to claims arising from catastrophic events could reduce earnings and shareholder value, in which case a comparable transaction may no longer be available or a rating agency could downgrade Flagstone's rating;

the form of consideration to be received in the proposed transaction by Flagstone shareholders of a combination of cash and Validus common shares, which affords Flagstone shareholders both the

opportunity to participate in the strong business performance, accelerated growth and other opportunities expected of Validus following the completion of the mergers through the share component and to receive some cash at closing for the value of their shares through the cash component;

Validus' business, results of operations, financial condition, earnings and return to shareholders on a historical and prospective basis, including, but not limited to, the increased potential for growth, development and profitability of Validus following the completion of the mergers (taking into account the results of Flagstone's due diligence review of Validus), in comparison to Flagstone's business, results of operations, financial condition, earnings and return to shareholders on a historical and prospective standalone basis;

the fact that Flagstone's management's due diligence analysis and assessment of Validus, based on Flagstone's management's understanding of the reinsurance and insurance business, reflected favorably upon Validus' business, results of operations, financial condition, earnings and return to shareholders on a historical and prospective basis;

the financial market conditions and historical market prices, volatility, liquidity and trading information with respect to the shares of each of Flagstone and Validus, including the historically higher market multiple on Validus common shares;

the strong balance sheet and cash flow of Validus and its historical pattern of returning capital to shareholders through dividends (the rate of which currently paid by Validus on its common shares is higher than Flagstone's) and share repurchases and the expectation that the combined company would likely continue this pattern of returning capital to shareholders;

the opportunity for Flagstone shareholders to benefit from any increase in the trading price of Validus common shares between the announcement of the transaction and the completion of the mergers because the merger agreement provides for a fixed exchange ratio (and thus a fixed number of Validus common shares in the share component of the merger consideration);

Flagstone's board of directors' assessment, based on its analysis and understanding of the financial performance, financial condition, earnings and future prospects of the combined company, that Validus following the completion of the mergers will have enhanced size and scope, with shareholders' equity of approximately \$ billion (as of , 2012), which is expected to lead to improved financial strength and enable Validus to capture highly attractive opportunities in the global insurance and reinsurance markets, enabling Flagstone shareholders to participate in the upside of owning more liquid shares in a larger and better capitalized underwriting platform;

the belief of Flagstone's board of directors and management that Validus following the completion of the mergers would have more diversified underwriting risk in comparison to Flagstone, which should allow Validus to better weather cyclical conditions, reduce volatility of earnings and cash flows and deliver more stable results under a wider range of market conditions and economic environments while creating a foundation for future growth, based upon, among other things, the fact that Validus would have both a significant insurance and reinsurance business, and would have greater diversification with respect to premiums and reserves by lines of business, risk class and geography;

the fact that Flagstone shareholders would receive some liquidity through the cash portion of the merger consideration and the share portion of the merger consideration would provide enhanced liquidity as compared to Flagstone's shares;

the belief of Flagstone's board of directors and management that the property catastrophe exposure of Validus following the completion of the mergers would remain below Flagstone's stated tolerances, allowing for future growth;

the experience and prior success of Validus' management in integrating large acquisitions into Validus' existing business;

the anticipated positive stakeholder reactions to the proposed transaction with Validus and the fact that entities affiliated with Lightyear and entities affiliated with Trilantic, two of Flagstone's largest shareholders, had

expressed support for the proposed transaction prior to the announcement of the transaction and entered into the voting agreements;

the expected qualification of the mergers as tax-free reorganizations under the Code, which generally allows Flagstone shareholders to defer the recognition of any gain from the receipt of the stock portion of the merger consideration, as described in the section of this proxy statement/prospectus titled *United States Federal Income Tax Consequences of the Mergers*;

the risk that further prolonging Flagstone's sale process could have resulted in the loss of an opportunity to complete a transaction with Validus and distracted Flagstone's senior management from implementing Flagstone's business plan;

the belief of Flagstone's board of directors and management that, based on the terms of the merger agreement, the proposed transaction with Validus has a high degree of closing certainty;

the fact that the merger agreement permits Flagstone to continue to declare and pay regular quarterly cash dividends at historical levels;

the belief that the terms and conditions of the merger agreement, including, but not limited to, the representations, warranties and covenants of the parties, the conditions to closing and the form and structure of the merger consideration, are reasonable;

the fact that the terms of the merger agreement provide that, under certain circumstances, Flagstone's board of directors is permitted to withhold or withdraw its recommendation that Flagstone shareholders vote to approve the merger proposal, subject to compliance with certain procedural requirements;

the fact that the termination fee of \$24.16 million is approximately equal to 3.9% of the equity value of the proposed transaction (based on the equity value at the time of announcement), which Flagstone's board of directors did not believe would preclude any other party from making a competing proposal for Flagstone;

Validus' commitments in the merger agreement to use its reasonable best efforts to complete the proposed transaction (subject to the terms and conditions of the merger agreement); and

the ability of the parties to complete the mergers, including the fact that Validus' obligation to complete the mergers is not conditioned upon receipt of financing.

Considerations and Factors Weighing Against the Mergers

In the course of its deliberations, Flagstone's board of directors also identified and considered a variety of risks and countervailing factors weighing negatively against the mergers, including the following:

the possibility that the completion of the mergers may be delayed or not occur at all, and the adverse impact this would have on Flagstone and its business;

because the share portion of the merger consideration is a fixed number of Validus common shares, Flagstone shareholders could be adversely affected by a decrease in the trading price of Validus common shares following the announcement of the proposed transaction, and the merger agreement does not provide Flagstone or its shareholders with a price-based termination right or other similar protection, such as a collar, with respect to Validus' share price;

the fact that, if the mergers are not completed, Flagstone will be required to pay its own expenses associated with the merger agreement, the mergers and the other transactions contemplated by the merger agreement, as well as pay Validus a termination fee of \$24.16 million, in certain circumstances and subject to the terms and conditions of the merger agreement, or a fee in the amount of \$6 million, in the event that Flagstone shareholders do not approve the proposed transaction at the extraordinary general meeting or if Flagstone willfully and materially breaches its non-solicitation obligations or its obligation to convene the extraordinary general meeting to approve the merger proposal, and subject to the terms and conditions of the merger agreement (any subsequent termination fee payable by Flagstone would, however, be reduced by the amount of

this payment), as more fully described in the section of this proxy statement/prospectus titled *The Merger Agreement Effect of Termination; Termination Fee*;

the possibility that the following factors, either individually or in combination, could discourage potential acquirors from making a competing proposal to acquire Flagstone: (1) the restrictions on Flagstone's ability to solicit, initiate or knowingly facilitate or encourage a competing proposal to acquire Flagstone, (2) the requirement that, in certain circumstances and subject to the terms and conditions of the merger agreement, Flagstone is required to pay Validus a termination fee of \$24.16 million or a fee in the amount of \$6 million, (3) the requirement that the approval of the merger agreement be submitted to a vote of Flagstone shareholders even if Flagstone's board of directors withholds or withdraws (or modifies or qualifies in a manner adverse to Validus) its recommendation that Flagstone shareholders vote to approve the merger proposal, (4) the inability of Flagstone to terminate the merger agreement to enter into a superior proposal and (5) the requirement that entities affiliated with Trilantic and entities affiliated with Lightyear vote against competing proposals, under certain circumstances, for three months following the termination of the merger agreement, each as more fully described in the section of this proxy statement/prospectus titled *The Merger Agreement* and the section of this proxy statement/prospectus titled *The Voting Agreements*;

the possible disruption to Flagstone's business that may result from the announcement of the proposed transaction, including the diversion of management and employee attention from the day-to-day operations of Flagstone's business, potential employee attrition and the potential adverse effect on Flagstone's customer, broker and other commercial relationships;

the restrictions on the conduct of Flagstone's business during the period between execution of the merger agreement and the completion of the mergers, which may delay or prevent Flagstone from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Flagstone during the term of the merger agreement;

that some of Flagstone's directors and executive officers have interests in the proposed transaction that are different from, or in addition to, the interests of Flagstone shareholders generally, as described in the section of this proxy statement/prospectus titled *Interests of Flagstone's Directors and Executive Officers in the Mergers*;

the fact that the cash component of the consideration in the transaction would be taxable to Flagstone shareholders that are U.S. holders for U.S. federal income tax purposes, as described in the section of this proxy statement/prospectus titled *United States Federal Income Tax Consequences of the Mergers*;

the risk that governmental entities may not approve the proposed transaction or may impose conditions on Flagstone or Validus in order to gain approval for the proposed transaction that may adversely impact the combined company; and

the other potential risks described in the section of this proxy statement/prospectus titled *Risk Factors*.

Additional Considerations and Factors

In addition to considering the factors described above, in the course of its deliberations Flagstone's board of directors also identified and considered a variety of other factors relevant to the mergers, including the following:

the assessment of Flagstone's board of directors, based on its analysis and understanding of Flagstone's business, results of operations, financial condition, earnings and return to shareholders, of the projected financial results of Flagstone as a standalone company and the ability of Flagstone to achieve strategic goals previously established by Flagstone's board of directors and the other strategic and operating options available to Flagstone; and

the fact that the terms of the merger agreement were determined through negotiations between Flagstone, with the advice of its outside advisors, and Validus, with the advice of its outside advisors.

The above discussion of the information and factors considered by Flagstone's board of directors includes the material information and factors, both positive and negative, considered by Flagstone's board of directors, but is not intended to be exhaustive and may not include all of the information and factors considered by Flagstone's board of directors. The above factors are not presented in any order of priority. In view of the variety of factors considered in connection with its evaluation and the complexity of these matters, Flagstone's board of directors did not quantify, rank or otherwise assign relative or specific weights to the factors considered in reaching its conclusion that the merger agreement is in the best interests of Flagstone and its shareholders. Rather, Flagstone's board of directors views its position and recommendation as being based on the totality of the information presented to and considered by it. In addition, individual members of Flagstone's board of directors may have given different weights to different factors. This explanation of the reasoning of Flagstone's board of directors and certain information presented in this section is forward-looking in nature and should be read in light of the factors discussed in the section of this proxy statement/prospectus titled *Special Note Concerning Forward-Looking Statements*.

After careful consideration, Flagstone's board of directors unanimously recommends that Flagstone's shareholders vote FOR the merger proposal.

Opinion of Flagstone's Financial Advisor

On August 29, 2012, Evercore delivered its oral opinion to Flagstone's board of directors, which opinion was subsequently confirmed by delivery of a written opinion dated August 29, 2012, to the effect that, as of such 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 the written opinion of Evercore, dated August 29, 2012, 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. You are urged to read Evercore's opinion carefully and in its entirety. 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 holder of Flagstone shares as to how any such holder should vote or act in respect of the proposed transaction. Evercore's opinion does not address the relative merits of the proposed transaction as compared to other business or financial strategies that might be available to Flagstone, nor does it address the underlying business decision of Flagstone to engage in the proposed transaction. The summary of the Evercore opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion is attached to this proxy statement/prospectus as Annex B.

In connection with rendering its opinion, Evercore has, among other things:

- (i) reviewed certain publicly available business and financial information relating to Flagstone that Evercore deemed to be relevant;
- (ii) reviewed certain projected non-public financial statements and other projected non-public financial data relating to Flagstone prepared and furnished to Evercore by management of Flagstone;
- (iii) reviewed certain non-public historical financial statements and other non-public historical financial and operating data relating to Flagstone prepared and furnished to Evercore by management of Flagstone;
- (iv) discussed the past and current operations, financial projections and current financial condition of Flagstone with management of Flagstone (including their views on the risks and uncertainties of achieving such projections);

- (v) compared certain historical non-public management projections to actual Flagstone performance;
- (vi) reviewed the reported prices and the historical trading activity of the common stock of Flagstone;
- (vii) compared the financial performance of Flagstone and its stock market trading multiples with those of certain other publicly traded companies that Evercore deemed to be relevant;
- (viii) compared the financial performance of Flagstone and the valuation multiples relating to the proposed transaction with those of certain other transactions that Evercore deemed to be relevant;
- (ix) reviewed certain publicly available business and financial information relating to Validus that Evercore deemed to be relevant;
- (x) reviewed Validus' 2012 financial plan provided by Validus, which Validus confirmed in writing to be the only forecasts which they had prepared at that time;
- (xi) compared the financial performance of Validus and its stock market trading multiples with those of certain publicly traded companies that Evercore deemed to be relevant;
- (xii) compared the financial performance of Validus and its stock market trading multiples with those of certain other transactions that Evercore deemed to be relevant;
- (xiii) reviewed the financial terms, to the extent publicly available, of certain business combination transactions that Evercore deemed to be relevant;
- (xiv) considered the potential pro forma impact of the proposed transaction;
- (xv) reviewed a draft dated August 28, 2012 of the merger agreement; and
- (xvi) performed such other analyses and examinations and considered such other factors that Evercore deemed to be appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any independent verification, the accuracy and completeness of all of the information publicly available, and all of the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, and Evercore assumed no liability therefor. With respect to the projected financial data relating to Flagstone and Validus referred to above, Evercore assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Flagstone or Validus, as appropriate, as to the future financial performance of Flagstone or Validus under the business assumptions reflected therein. Evercore expressed no view as to any projected financial data relating to Flagstone or the assumptions on which they are based. Evercore relied, at Flagstone's direction, without independent verification, upon the assessments of the management of Flagstone.

For purposes of rendering its opinion, Evercore assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the merger agreement and that all conditions to the consummation of the proposed transaction will be satisfied without material waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the proposed transaction will be obtained without any material delay, limitation, restriction or condition that would have an adverse effect on Flagstone or the consummation of the proposed transaction or materially reduce the benefits of the proposed transaction to the holders of Flagstone shares.

Evercore did not make nor assume any responsibility for making any independent valuation or appraisal of the assets or liabilities of Flagstone, nor was Evercore furnished with any such appraisals, nor did Evercore evaluate the solvency or fair value of Flagstone under any state or federal laws relating to bankruptcy, insolvency or similar

matters. Evercore's opinion was necessarily based upon information made available to it as of the date of the opinion and financial, economic, market and other conditions as they existed and as could be evaluated on the date of the opinion. It should be understood that subsequent developments may affect Evercore's opinion and that Evercore does not have any obligation to update, revise or reaffirm its opinion.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness to the holders of Flagstone shares, from a financial point of view, of the merger consideration as of the date of its opinion. Evercore did not express any view on, and its opinion did not address, the fairness of the proposed transaction to, or any consideration received in connection therewith by, the holders of any other securities, creditors or other constituencies of Flagstone, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Flagstone, or any class of such persons, whether relative to the merger consideration or otherwise. Evercore assumed that any modification to the structure of the proposed transaction would not vary in any respect material to its analysis. Evercore's opinion did not address the relative merits of the proposed transaction as compared to other business or financial strategies that might be available to Flagstone, nor did it address the underlying business decision of Flagstone to engage in the proposed transaction. Evercore's opinion did not constitute a recommendation to Flagstone's board of directors or to any other persons in respect of the proposed transaction, including as to how any holder of Flagstone shares should vote or act in respect of the proposed transaction. Evercore expressed no opinion as to the price at which shares of Flagstone or Validus will trade at any time. Evercore's opinion noted that it is not a legal, regulatory, accounting or tax expert and that Evercore assumed the accuracy and completeness of assessments by Flagstone and its advisors with respect to legal, regulatory, accounting and tax matters.

Except as described above, Flagstone's board of directors imposed no other instructions or limitations on Evercore with respect to the investigations made or the procedures followed by Evercore in rendering its opinion. Evercore's opinion was only one of many factors considered by Flagstone's board of directors in its evaluation of the proposed transaction and should not be viewed as determinative of the views of Flagstone's board of directors or Flagstone's management with respect to the proposed transaction or the merger consideration payable in the proposed transaction.

Set forth below is a summary of the material financial analyses reviewed by Evercore with Flagstone's board of directors on August 29, 2012 in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data that existed on or before August 27, 2012, the most recent practicable trading day before delivery of the opinion, and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. These tables must be read together with the text of each summary in order to understand fully the financial analyses. The tables alone do not constitute a complete description of the financial analyses. Considering the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Evercore's financial analyses.

Flagstone Financial Analysis

Historical Trading Analysis and Implied Transaction Premiums.

Evercore calculated the premium to be paid in the transaction relative to the closing price of Flagstone shares as of August 27, 2012. For purposes of this analysis, the \$8.44 assumed per share merger consideration is based on the per share price of Validus of \$33.27 as of August 27, 2012, multiplied by the exchange ratio of 0.1935, and adding the \$2.00 per share cash consideration. The analysis indicated the following:

Assumed Per Share Merger Consideration

\$8.44

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Metric:	Historical Closing Price of Flagstone Shares:	Implied Premium Based on Assumed Per Share Merger Consideration:
August 27, 2012	\$ 6.93	21.8%
1 Week Prior	\$ 6.88	22.6%
1 Month Average	\$ 6.84	23.4%
3 Month Average	\$ 7.43	13.5%

Analysis of Multiples at Offer Price.

Evercore calculated and compared the following financial multiples for Flagstone based on publicly available filings, publicly available research estimates published by independent equity research analysts associated with various Wall Street firms, the standalone forecasts (see the section titled *The Mergers Certain Financial Projections*) and financial data provided by FactSet Research Systems Inc. as of August 27, 2012:

the assumed per share merger consideration payable in respect of Flagstone shares to diluted tangible book value per share as at June 30, 2012;

the assumed per share merger consideration payable in respect of Flagstone shares to diluted book value per share as at June 30, 2012;

the assumed per share merger consideration payable in respect of Flagstone shares to management estimates per the standalone forecasts for 2012 and 2013 earnings per share; and

the assumed per share merger consideration payable in respect of Flagstone shares to Wall Street research median estimates for 2012 and 2013 earnings per share of Flagstone.

The following table presents the results of this analysis:

Assumed Per Share Merger Consideration	\$8.44
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Metric:			Multiple:
Price / Tangible Book Value (06/30/12)	\$	11.52	0.73x
Price / Book Value (06/30/12)	\$	11.52	0.73x
Price / 2012E EPS (Standalone Forecasts)	\$	1.10	7.6x
Price / 2013E EPS (Standalone Forecasts)	\$	0.97	8.7x
Price / 2012E EPS (Wall Street Median)	\$	0.47	17.8x
Price / 2013E EPS (Wall Street Median)	\$	0.65	13.0x

Historical Exchange Ratio Analysis.

Evercore reviewed the per share daily closing market price of Flagstone and Validus shares over the previous year and calculated the implied historical exchange ratios during this period by dividing the per share daily closing market prices of Flagstone shares by those of Validus shares. Evercore compared the maximum and minimum implied exchange ratio over the period to 0.2536x, the exchange ratio for a theoretical all-stock transaction with implied value equal to the value of the merger consideration per share, which was calculated as the price implied by Validus offer as of August 27, 2012 (\$8.44) divided by Validus share price as of the same date (\$33.27). The analysis resulted in a one year historical low implied exchange ratio of 0.203x and a one year historical high implied exchange ratio of 0.334x. Evercore then applied the selected range to Validus closing share price as of August 27, 2012 to calculate an implied range of equity values per share for Flagstone. This analysis resulted in a range of implied per share equity values for Flagstone of \$6.76 to \$11.11, as compared to the assumed merger consideration of \$8.44 per Flagstone share.

Analysis of Select Publicly Traded Companies.

Evercore reviewed and compared certain financial and operating information and measurements relating to Flagstone to corresponding information and measurements of a group of selected publicly traded companies in the

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insurance and reinsurance industry. Although none of the selected publicly traded companies is directly comparable to Flagstone, the companies were chosen because they may be deemed to have certain characteristics that are similar to those of Flagstone.

The companies that Evercore deemed to have certain characteristics similar to those of Flagstone were divided into two groups (1) Property Specialists and (2) Offshore Insurers / Reinsurers with public equity market capitalizations of less than \$3 billion. The companies were as follows:

Property Specialists	Offshore Insurers / Reinsurers (Market Cap Less Than \$3 Billion)
Montpelier Re Holdings Ltd. RenaissanceRe Holdings Ltd. Validus Holdings, Ltd.	Argo Group International Holdings, Ltd. Aspen Insurance Holdings Limited Alterra Capital Holdings Limited Allied World Assurance Company Holdings, AG Endurance Specialty Holdings Ltd. Greenlight Capital Re, Ltd. Platinum Underwriters Holdings, Ltd.

As part of its analysis, Evercore calculated and analyzed various financial multiples of Flagstone and the selected companies as follows:

price to diluted book value per share as at June 30, 2012;

price to diluted tangible book value per share as at June 30, 2012; and

price to the Wall Street research median earnings per share estimates for calendar year 2013.

The multiples for each of the selected companies were calculated using the closing price of the selected companies' common stock on August 27, 2012 and were based on, and derived from, publicly available filings, publicly available research estimates published by independent equity research analysts associated with various Wall Street firms and financial data provided by FactSet Research Systems Inc. The multiples for Flagstone were calculated using the closing price of the selected companies' common stock on August 27, 2012 and were based on, and derived from, publicly available information, publicly available research estimates published by independent equity research analysts associated with various Wall Street firms and the standalone forecasts. The following table presents the results of this analysis:

Metric:	Low	High
<i>Property Specialists</i>		
Price / Book Value	0.82x	1.22x
Price / Tangible Book Value	0.82x	1.22x
Price / 2013E Earnings (Wall Street Median)	7.0x	8.5x
<i>Offshore Insurers / Reinsurers (Market Cap Under \$3B)</i>		
Price / Book Value	0.51x	1.09x
Price / Tangible Book Value	0.61x	1.09x
Price / 2013E Earnings (Wall Street Median)	5.6x	11.2x

Metric:	Price / Book Value	Price / Tangible Book Value	Price / 2013E Earnings (Wall Street Median)
Flagstone	0.60x	0.60x	10.7x

Evercore then applied ranges of selected multiples of the financial and operating information and measurements, as set forth in the immediately preceding table, to the comparable data for Flagstone in order to derive a range of implied per share equity values. Evercore derived these ranges of selected multiples by using the lowest and highest multiples calculated for the selected comparables for each metric, respectively. This analysis

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resulted in a range of implied per share equity values for Flagstone, as compared to the assumed merger consideration of \$8.44 per Flagstone share, as summarized below:

Assumed Merger Consideration \$8.44

Metric:	Implied Equity Value Per Share:	
	Low	High
<i>Property Specialists</i>		
Price / Book Value	\$ 9.49	\$ 14.02
Price / Tangible Book Value	\$ 9.49	\$ 14.06
Price / 2013E Earnings (Wall Street)	\$ 4.55	\$ 5.49
Price / 2013E Earnings (Standalone Forecasts)	\$ 6.81	\$ 8.22
<i>Offshore Insurers / Reinsurers (Market Cap Under \$3B)</i>		
Price / Book Value	\$ 5.85	\$ 12.51
Price / Tangible Book Value	\$ 7.00	\$ 12.51
Price / 2013E Earnings (Wall Street)	\$ 3.62	\$ 7.26
Price / 2013E Earnings (Standalone Forecasts)	\$ 5.43	\$ 10.88
<i>Selected Precedent Transactions Analysis.</i>		

Evercore performed an analysis of selected transactions to compare multiples paid in other transactions to the multiples implied in the transaction. Evercore analyzed a group of four merger and acquisition transactions that were announced between 2009 and 2011 involving the acquisition of reinsurance companies. The selected transactions are set forth below:

Date Announced	Acquiror	Target
11/21/2011	Alleghany Corporation	Transatlantic Holdings, Inc.
03/03/2010	Max Capital Group Ltd.	Harbor Point Limited
07/09/2009	Validus Holdings, Ltd.	IPC Holdings, Ltd.
07/04/2009	PartnerRe Ltd.	PARIS RE Holdings Limited

While none of the companies that participated in the selected transactions are directly comparable to Flagstone and none of the transactions in the selected transactions analysis is directly comparable to the proposed transaction, Evercore selected these transactions because each of the target companies in the selected transactions was a reinsurance company and had operating characteristics and products that for purposes of analysis may be considered similar to certain of Flagstone's operating characteristics and products.

For each of the selected transactions, Evercore calculated and compared the implied transaction price per share as a multiple of the target's last reported diluted book value per share, last reported tangible book value per share and, where available, Wall Street research median earnings per share estimates for the following calendar year as at the time of announcement. The results of this analysis indicated a low book value multiple of 0.80x and a high book value multiple of 0.98x, a low tangible book value multiple of 0.87x and a high tangible book value multiple of 1.10x and a low earnings multiple of 6.0x and a high earnings multiple of 11.5x.

Evercore then applied the appropriate low and high multiples to Flagstone's book value per share, tangible book value per share, 2013 Wall Street research median earnings per share estimate and the 2013 earnings per share estimate based on the standalone forecasts, respectively, in order to derive an implied equity value per share range for Flagstone. Evercore then compared these implied per share equity value ranges against the assumed merger consideration of \$8.44.

The following table presents the results of this analysis:

Assumed Merger Consideration

\$8.44

Metric:	Implied Equity Value Per Share:	
	Low	High
Price / Book Value	\$ 9.27	\$ 11.25
Price / Tangible Book Value	\$ 9.99	\$ 12.67
Price / 2013E Earnings (Wall Street)	\$ 3.90	\$ 7.49
Price / 2013E Earnings (Standalone Forecasts) <i>Analysis of Historical Premiums Paid.</i>	\$ 5.85	\$ 11.22

Evercore considered the premiums paid for the selected precedent reinsurance transactions. Premiums paid were calculated as the percentage by which the per share consideration paid in each such transaction exceeded (1) the closing market share prices of the target companies one day prior to the first announcement of a transaction, (2) the average closing price of the common shares of the target companies for the one month preceding the first announcement of a transaction, and (3) the average closing price of the common shares of the target companies for the three months preceding the first announcement of a transaction. This analysis indicated the following implied high and low premiums for the selected transactions:

Metric:	Low:	High:
Premium to Prior Day Price	13.3%	34.4%
Premium to One Month Average Price		