



## **Validus Holdings, Ltd.**

### **Investor Financial Supplement - Third Quarter 2009**

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**Validus Holdings, Ltd.  
Explanatory Notes**

**Basis of Presentation**

- All financial information contained herein is unaudited, however, certain information contained herein relating to the years ended December 31, 2008 and 2007 is derived from or agrees to audited financial information.
- Unless otherwise noted, dollar amounts are in thousands of U.S. dollars, except for share and per share amounts and ratio information.
- On September 4, 2009, Validus completed its acquisition of IPC Holdings Ltd. (“IPC”). Operating results of IPC have been included in the consolidated financial statements and the Validus segment from the acquisition date of September 4, 2009. The Validus data for all periods prior to September 4, 2009 refer only to the company prior to the acquisition of IPC.
- Certain amounts in prior periods have been reclassified to conform to current period presentation. These reclassifications include the inclusion of share based compensation expense in general and administrative expenses and the corresponding expense ratios, internal re-categorization between class of business and treaty type, and the combination of fees relating to our credit facility (previously included in general and administrative expenses) with interest expense to comprise finance fees and transaction expenses.
- The unaudited condensed consolidated pro forma financial information included is intended to provide information about how the acquisition of IPC Holdings, Ltd. (“IPC”) might have affected the historical financial statements of Validus if it had been consummated at an earlier time. The unaudited condensed consolidated pro forma information has been prepared using IPC’s publicly available financial statements and disclosures. Certain pro forma adjustments such as recording fair value of assets and liabilities and adjustments for consistency of accounting policy, are not reflected in these unaudited condensed consolidated pro forma financial statements. The unaudited condensed consolidated pro forma financial information included does not necessarily reflect the financial position or results of operations that would have actually resulted had the acquisition occurred as of the dates indicated, nor should they be taken as necessarily indicative of the future financial position or results of operations of Validus.
- The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Validus 10-Q, the Validus 10-K, the IPC 10-Q and the IPC 10-K, each, as filed with the SEC. The unaudited condensed consolidated pro forma financial information gives effect to the proposed acquisition as if it had occurred at January 1, 2008 for the purposes of the unaudited condensed consolidated pro forma statements of operations for the three months ended March 31, 2009, June 30, 2009, September 30, 2009 and for the nine months ended September 30, 2009.

**Financial Measures**

In presenting our results, we include certain financial measures which are important for an understanding of our overall results of operations. We believe that these measures are important to investors and other interested parties, and that such persons benefit from having a consistent basis for comparison with other companies within the industry. However, these measures may not be comparable to similarly titled measures used by companies either inside or outside of the insurance industry.

- In the basic earnings per share calculation, dividends and distributions declared on warrants are deducted from net income. In calculating diluted earnings per share, we consider the application of the treasury stock method and the two-class method and which ever is more dilutive is included into the calculation of diluted earnings per share.
- Net operating income is calculated based on net income (loss) excluding net realized gains (losses), net unrealized gains (losses) on investments, gains (losses) arising from translation of non-U.S.\$ denominated balances and non-recurring items. Net operating income focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items (including the gain on bargain purchase, net of expenses relating to the acquisition of IPC). Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. A reconciliation of net operating income to net income is included on page 36.
- Underwriting income (loss) is a measure of profitability that takes into account net premiums earned and other insurance related income as revenue and net loss and loss expenses, acquisition costs and underwriting related general and administrative expenses as expenses. Underwriting income (loss) is the difference between revenues and expense items. A reconciliation of underwriting income to net income, the most comparable U.S. GAAP financial measure is presented in the “Consolidated Statement of Operations-Underwriting Income Format” contained herein.
- Annualized effective investment yield is calculated by dividing the investment income generated from invested assets and other investments by the average balance of the assets managed by our portfolio managers and our other investments during the period. Percentages for the quarter periods are annualized.
- Annualized return on average equity represents the level of net income available to the shareholders generated from average shareholders’ equity during the period. Average shareholders’ equity is the average of the beginning, ending and intervening quarter end shareholders’ equity balances. Percentages for the quarter periods are annualized.
- Annualized operating return on average equity is calculated by dividing the operating income for the period by the average shareholders’ equity during the period. Average shareholders’ equity is the average of the beginning, ending and intervening quarter end shareholders’ equity balances. Percentages for the quarter periods are annualized. A reconciliation of net operating income to net income is included on page 36.



**Validus Holdings, Ltd.**  
**Consolidated Financial Highlights**

(Expressed in thousands of U.S. Dollars, except share and per share information)

		Three months ended					Nine months ended	
		September 30,	June 30,	March 31,	December 31,	September 30,	September 30,	
		2009	2009	2009	2008	2008	2009	2008
<b>Highlights</b>	Net income (loss)	\$ 499,178	\$ 137,563	\$ 94,907	\$ 37,015	\$ (126,300)	\$ 731,647	\$ 16,096
	Net operating income (loss) (a)	145,606	110,383	100,375	50,911	(53,051)	356,363	124,143
	Gross premiums written	331,028	425,032	609,892	191,736	269,236	1,365,951	1,170,749
	Net premiums earned	374,717	328,200	318,759	316,031	339,326	1,021,676	940,488
	Total assets	7,177,071	5,008,450	4,762,798	4,322,480	4,509,596	7,177,071	4,509,596
	Total shareholders' equity	3,966,192	2,151,969	2,022,986	1,938,734	1,916,611	3,966,192	1,916,611
<b>Per share data</b>	<u>Earnings per basic share (b)</u>							
	Net income (loss)	\$ 5.38	\$ 1.79	\$ 1.23	\$ 0.47	\$ (1.71)	\$ 8.92	\$ 0.15
	Net operating income (loss)	\$ 1.56	\$ 1.43	\$ 1.30	\$ 0.65	\$ (0.73)	\$ 4.31	\$ 1.60
	<u>Earnings per diluted share (b)</u>							
	Net income (loss)	\$ 5.21	\$ 1.74	\$ 1.20	\$ 0.47	\$ (1.71)	\$ 8.65	\$ 0.14
	Net operating income (loss)	\$ 1.52	\$ 1.40	\$ 1.27	\$ 0.65	\$ (0.73)	\$ 4.21	\$ 1.53
	<u>Book value per share</u>							
	Reported	\$ 30.25	\$ 28.26	\$ 26.68	\$ 25.64	\$ 25.60	\$ 30.25	\$ 25.60
	With investments at amortized cost	\$ 30.10	\$ 28.58	\$ 27.70	\$ 27.08	\$ 26.39	\$ 30.10	\$ 26.39
	<u>Diluted book value per share (b)</u>							
	Reported	\$ 28.61	\$ 26.08	\$ 24.65	\$ 23.78	\$ 23.58	\$ 28.61	\$ 23.58
	With investments at amortized cost	\$ 28.48	\$ 26.35	\$ 25.51	\$ 24.99	\$ 24.24	\$ 28.48	\$ 24.24
	<u>Diluted book value per common share plus accumulated dividends</u>	\$ 30.01	\$ 27.28	\$ 25.65	\$ 24.58	\$ 24.18	\$ 30.01	\$ 24.18
<b>Financial ratios</b>	Losses and loss expense ratio	35.8%	38.0%	41.4%	60.6%	93.9%	38.2%	61.7%
	Policy acquisition costs ratio	17.1%	19.6%	19.3%	19.4%	17.8%	18.6%	18.5%
	General and administration expenses ratio	13.8%	14.3%	14.3%	9.5%	10.6%	14.1%	12.9%
	Expense ratio	30.9%	33.9%	33.6%	28.9%	28.4%	32.7%	31.4%
	Combined ratio	66.7%	71.9%	75.0%	89.5%	122.3%	70.9%	93.1%
	Annualized return on average equity (c)	65.3%	26.4%	19.2%	7.7%	(25.4)%	38.7%	1.1%
	Annualized operating return on average equity (d)	19.0%	21.2%	20.3%	10.6%	(10.7)%	18.9%	8.4%

**Notes:**

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items including the gain on bargain purchase, net of expenses relating to the acquisition of IPC. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

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

(c) Annualized return on average equity represents the level of net income available to the shareholders generated from average shareholders' equity during the period. Average shareholders' equity is the average of the beginning, ending and intervening quarter end shareholders' equity balances. Percentages for the quarter periods are annualized.

(d) Annualized operating return on average equity is calculated by dividing the operating income for the period by the average shareholders' equity during the period. Average shareholders' equity is the average of the beginning, ending and intervening quarter end shareholders' equity balances. Percentages for the quarter periods are annualized. A reconciliation of net operating income to net income is included on page 36.



**Validus Holdings, Ltd.**

**Summary Consolidated Balance Sheets**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
<b>Assets</b>								
Fixed maturities, at fair value	\$ 4,590,143	\$ 2,816,536	\$ 2,644,496	\$ 2,454,501	\$ 2,595,476	\$ 2,601,315	\$ 2,759,884	\$ 2,411,398
Short-term investments, at fair value	594,581	323,940	282,363	377,036	325,273	141,638	133,711	250,623
Other investments, at fair value	129,012	-	-	-	-	-	-	-
Cash and cash equivalents	393,788	390,090	535,798	449,848	335,367	487,260	347,347	444,698
Total investments and cash	5,707,524	3,530,566	3,462,657	3,281,385	3,256,116	3,230,213	3,240,942	3,106,719
Premiums receivable	723,029	679,189	600,943	408,259	529,039	609,757	572,175	401,241
Deferred acquisition costs	139,157	145,615	143,510	108,156	129,946	146,216	135,789	105,562
Prepaid reinsurance premiums	101,711	87,798	59,510	22,459	49,824	45,717	71,855	22,817
Securities lending collateral	100,053	166,496	99,727	98,954	158,411	199,075	191,256	164,324
Loss reserves recoverable	172,101	169,666	204,197	208,796	173,463	132,880	118,575	134,404
Paid losses recoverable	10,064	36,624	4,438	1,388	3,516	2,683	7,008	7,810
Net receivable for investments sold	-	-	-	490	11,820	-	-	-
Income taxes recoverable	3,027	1,876	1,244	1,365	2,331	3,258	-	3,325
Intangibles assets	124,096	125,136	126,177	127,217	128,258	129,298	130,339	131,379
Goodwill	20,393	20,393	20,393	20,393	20,393	20,393	20,393	20,393
Accrued investment income	43,190	19,636	20,511	20,433	15,596	16,177	22,187	19,960
Other assets	32,726	25,455	19,491	23,185	30,883	34,075	25,119	26,290
<b>Total assets</b>	<b>\$ 7,177,071</b>	<b>\$ 5,008,450</b>	<b>\$ 4,762,798</b>	<b>\$ 4,322,480</b>	<b>\$ 4,509,596</b>	<b>\$ 4,569,742</b>	<b>\$ 4,535,638</b>	<b>\$ 4,144,224</b>
<b>Liabilities</b>								
Reserve for losses and loss expenses	\$ 1,624,743	\$ 1,311,935	\$ 1,318,732	\$ 1,305,303	\$ 1,272,844	\$ 1,029,739	\$ 977,236	\$ 926,117
Unearned premiums	955,049	856,138	795,233	539,450	693,304	793,356	750,257	557,344
Reinsurance balances payable	40,879	101,004	66,180	33,042	53,253	66,386	88,356	36,848
Securities lending payable	101,040	168,923	105,369	105,688	161,727	199,968	192,468	164,324
Income taxes payable	-	-	-	-	-	-	1,531	-
Deferred income taxes	26,110	22,163	20,914	21,779	21,117	20,173	13,421	16,663
Net payable for investments purchased	39,224	16,346	57,434	-	-	9,105	52,307	31,426
Accounts payable and accrued expenses	119,534	75,672	71,650	74,184	86,440	89,934	119,404	126,702
Debentures payable	304,300	304,300	304,300	304,300	304,300	304,300	350,000	350,000
<b>Total liabilities</b>	<b>3,210,879</b>	<b>2,856,481</b>	<b>2,739,812</b>	<b>2,383,746</b>	<b>2,592,985</b>	<b>2,512,961</b>	<b>2,544,980</b>	<b>2,209,424</b>
<b>Shareholders' equity</b>								
Common shares	\$ 22,944	13,327	13,271	13,235	13,104	12,993	12,990	12,985
Additional paid-in-capital	2,748,121	1,424,378	1,419,602	1,412,635	1,403,904	1,398,913	1,391,303	1,384,604
Accumulated other comprehensive (loss) income	(4,976)	(4,061)	(8,054)	(7,858)	(1,528)	28	18	(49)
Retained earnings	1,200,103	718,325	598,167	520,722	501,131	644,847	586,347	537,260
<b>Total shareholders' equity</b>	<b>3,966,192</b>	<b>2,151,969</b>	<b>2,022,986</b>	<b>1,938,734</b>	<b>1,916,611</b>	<b>2,056,781</b>	<b>1,990,658</b>	<b>1,934,800</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,177,071</b>	<b>\$ 5,008,450</b>	<b>\$ 4,762,798</b>	<b>\$ 4,322,480</b>	<b>\$ 4,509,596</b>	<b>\$ 4,569,742</b>	<b>\$ 4,535,638</b>	<b>\$ 4,144,224</b>
<b>Book value per common share</b>	<b>\$ 30.25</b>	<b>\$ 28.26</b>	<b>\$ 26.68</b>	<b>\$ 25.64</b>	<b>\$ 25.60</b>	<b>\$ 27.70</b>	<b>\$ 26.82</b>	<b>\$ 26.08</b>
<b>Diluted book value per common share</b>	<b>\$ 28.61</b>	<b>\$ 26.08</b>	<b>\$ 24.65</b>	<b>\$ 23.78</b>	<b>\$ 23.58</b>	<b>\$ 25.12</b>	<b>\$ 24.43</b>	<b>\$ 24.00</b>
<b>Diluted book value per common share plus accumulated dividends</b>	<b>\$ 30.01</b>	<b>\$ 27.28</b>	<b>\$ 25.65</b>	<b>\$ 24.58</b>	<b>\$ 24.18</b>	<b>\$ 25.52</b>	<b>\$ 24.63</b>	<b>\$ 24.00</b>



**Validus Holdings, Ltd.**

**Computation of Book Value per Common Share and Diluted Book Value per Common Share**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	At September 30, 2009				At December 31, 2008			
	Equity amount	Shares	Exercise price	Book value per share	Equity amount	Shares	Exercise price	Book value per share
<b><u>Book value per common share, reported</u></b>								
<b>Book value per common share</b>								
Total shareholders' equity	\$ 3,966,192	131,107,196		\$ <u>30.25</u>	\$ 1,938,734	75,624,697		\$ <u>25.64</u>
Diluted book value per common share								
Total shareholders' equity	\$ 3,966,192	131,107,196			\$ 1,938,734	75,624,697		
Assumed exercise of outstanding warrants (b)	139,576	7,952,138	\$ 17.55		152,316	8,680,149	\$ 17.55	
Assumed exercise of outstanding stock options (b)	68,368	3,430,816	\$ 19.93		51,043	2,799,938	\$ 18.23	
Unvested restricted shares	-	3,383,298			-	2,986,619		
Diluted book value per common share	\$ <u>4,174,136</u>	<u>145,873,448</u>		\$ <u>28.61</u>	\$ <u>2,142,093</u>	<u>90,091,403</u>		\$ <u>23.78</u>
<b><u>Book value per common share, adjusted (c)</u></b>								
<b>Book value per common share</b>								
Total shareholders' equity	\$ 3,966,192				\$ 1,938,734			
Accumulated other comprehensive loss	4,976				7,858			
Unrealized (gain) loss on investments	(25,077)				101,018			
Total shareholders' equity, adjusted	\$ <u>3,946,091</u>	131,107,196		\$ <u>30.10</u>	\$ <u>2,047,610</u>	75,624,697		\$ <u>27.08</u>
Diluted book value per common share								
Total shareholders' equity, adjusted	\$ 3,946,091	131,107,196			\$ 2,047,610	75,624,697		
Assumed exercise of outstanding warrants (b)	139,576	7,952,138	\$ 17.55		152,316	8,680,149	\$ 17.55	
Assumed exercise of outstanding stock options (b)	68,368	3,430,816	\$ 19.93		51,043	2,799,938	\$ 18.23	
Unvested restricted shares	-	3,383,298			-	2,986,619		
Diluted book value per common share	\$ <u>4,154,035</u>	<u>145,873,448</u>		\$ <u>28.48</u>	\$ <u>2,250,969</u>	<u>90,091,403</u>		\$ <u>24.99</u>

**Notes:**

(a) Weighted average exercise price for those warrants and stock options that have an exercise price lower than book value per shares.

(b) Using the "as-if-converted" method, assuming all proceeds received upon exercise of warrants and stock options will be retained by the Company and the resulting common shares from exercise remain outstanding.

(c) Adjusted book value excludes unrealized gains (losses) on investments and accumulated other comprehensive income (loss).



**Validus Holdings, Ltd.**

**Consolidated Statements of Cash Flows**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30,	June 30,	March 31,	December 31,	September 30,	September 30,	
	2009	2009	2009	2008	2008	2008	
<b>Cash flows provided by (used in) operating activities</b>							
Net income (loss)	\$ 499,178	\$ 137,563	\$ 94,907	\$ 37,015	\$ (126,300)	\$ 731,647	\$ 16,096
Adjustments to reconcile net income to cash provided by (used in) operating activities							
Share compensation expenses	11,293	5,632	7,354	7,279	6,012	24,279	19,818
Realized gain on repurchase of debentures	-	-	-	-	-	-	(8,752)
Bargain purchase gain	(352,349)	-	-	-	-	(352,349)	-
Net realized (gains) losses on investments	(5,429)	2,650	23,421	(6,757)	13,667	20,642	8,348
Net unrealized (gains) losses on investments	(50,436)	(37,249)	(22,153)	7,099	14,649	(109,838)	72,608
Amortization of intangible assets	22,711	1,041	1,040	1,041	1,040	24,792	3,121
Foreign exchange (gains) losses on cash and cash equivalents included in net income	(894)	(10,152)	559	20,706	26,022	(10,487)	19,768
Amortization of premium on fixed maturities	4,846	2,421	1,702	1,484	473	8,969	2,226
Change in:							
Premiums receivable	130,187	(71,118)	(193,076)	110,989	73,609	(134,007)	(134,822)
Deferred acquisition costs	28,546	(2,116)	(35,344)	23,845	14,080	(8,914)	(26,635)
Prepaid reinsurance premiums	(12,085)	(26,372)	(37,160)	26,987	(5,282)	(75,617)	(28,149)
Loss reserves recoverable	(343)	38,564	4,413	(41,540)	(42,625)	42,634	(41,145)
Paid losses recoverable	25,462	(31,032)	(3,051)	2,002	(843)	(8,621)	4,279
Income taxes recoverable	(964)	131	(653)	(591)	1,954	(1,486)	2,436
Accrued investment income	(614)	766	(86)	3,993	54	66	(4,466)
Other assets	(815)	(2,825)	3,083	9,047	4,561	(557)	3,861
Reserve for losses and loss expenses	9,100	(33,065)	15,064	74,187	265,678	(8,900)	369,962
Unearned premiums	(106,590)	60,907	255,782	(164,493)	(88,732)	210,099	147,461
Reinsurance balances payable	(63,054)	33,697	33,260	(19,180)	(11,722)	3,903	17,779
Deferred income taxes	7,235	(2,597)	93	5,838	2,594	4,731	6,083
Accounts payable and accrued expenses	(6,412)	(4,902)	(1,288)	(10,345)	1,081	(12,602)	(52,500)
<b>Net cash provided by operating activities</b>	<b>138,573</b>	<b>61,944</b>	<b>147,867</b>	<b>88,606</b>	<b>149,970</b>	<b>348,384</b>	<b>397,377</b>
<b>Cash flows provided by (used in) investing activities</b>							
Proceeds on sales of investments	737,808	636,421	873,352	495,108	661,356	2,247,581	1,770,892
Proceeds on maturities of investments	154,844	88,819	222,402	535,672	163,316	466,065	264,103
Purchases of fixed maturities	(670,048)	(889,774)	(1,232,740)	(929,812)	(894,184)	(2,792,562)	(2,355,159)
Sales (purchases) of short-term investments, net	37,573	(40,863)	94,644	(34,960)	(183,870)	91,354	(74,290)
Purchases of other investments	(2,047)	-	-	-	-	(2,047)	-
Decrease (increase) in securities lending collateral	67,884	(63,554)	319	56,039	38,241	4,649	2,597
Purchase of subsidiary, net of cash acquired	(376,878)	-	-	-	-	(376,878)	-
<b>Net cash provided by (used in) investing activities</b>	<b>(50,864)</b>	<b>(268,951)</b>	<b>(42,023)</b>	<b>122,047</b>	<b>(215,141)</b>	<b>(361,838)</b>	<b>(391,857)</b>
<b>Cash flows provided by (used in) financing activities</b>							
Repurchase of debentures	-	-	-	-	-	-	(36,948)
Issue of common shares, net of expenses	(592)	(831)	(351)	1,582	(909)	(1,774)	(398)
Dividends paid	(16,965)	(16,511)	(17,462)	(17,364)	(16,928)	(50,938)	(50,570)
(Decrease) increase in securities lending payable	(67,884)	63,554	(319)	(56,039)	(38,241)	(4,649)	(2,597)
<b>Net cash provided by (used in) financing activities</b>	<b>(85,441)</b>	<b>46,212</b>	<b>(18,132)</b>	<b>(71,821)</b>	<b>(56,078)</b>	<b>(57,361)</b>	<b>(90,513)</b>
Effect of foreign currency rate changes on cash and cash equivalents	1,430	15,087	(1,762)	(24,351)	(30,644)	14,755	(24,338)
Net increase (decrease) in cash	3,698	(145,708)	85,950	114,481	(151,893)	(56,060)	(109,331)
<b>Cash and cash equivalents - beginning of period</b>	<b>390,090</b>	<b>535,798</b>	<b>449,848</b>	<b>335,367</b>	<b>487,260</b>	<b>449,848</b>	<b>444,698</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 393,788</b>	<b>\$ 390,090</b>	<b>\$ 535,798</b>	<b>\$ 449,848</b>	<b>\$ 335,367</b>	<b>\$ 393,788</b>	<b>\$ 335,367</b>
<b>Taxes paid (recovered) during the period</b>	<b>\$ 196</b>	<b>\$ 900</b>	<b>\$ 299</b>	<b>\$ (43)</b>	<b>\$ (2,877)</b>	<b>\$ 1,395</b>	<b>\$ (2,467)</b>
<b>Interest paid during the period</b>	<b>\$ 6,672</b>	<b>\$ 6,672</b>	<b>\$ 6,672</b>	<b>\$ 6,672</b>	<b>\$ 6,177</b>	<b>\$ 20,016</b>	<b>\$ 20,802</b>
<b>Losses paid during the period</b>	<b>\$ 126,127</b>	<b>\$ 125,386</b>	<b>\$ 111,871</b>	<b>\$ 154,921</b>	<b>\$ 95,197</b>	<b>\$ 363,384</b>	<b>\$ 251,549</b>



Validus Holdings, Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	September 30, 2008	
<b>Revenues</b>							
Gross premiums written	\$ 331,028	\$ 425,032	\$ 609,892	\$ 191,736	\$ 269,236	\$ 1,365,951	\$ 1,170,749
Reinsurance premiums ceded	(67,687)	(62,291)	(72,512)	(2,722)	(35,139)	(202,489)	(121,438)
Net premiums written	263,341	362,741	537,380	189,014	234,097	1,163,462	1,049,311
Change in unearned premiums	111,376	(34,541)	(218,621)	127,017	105,229	(141,786)	(108,823)
Net premiums earned	374,717	328,200	318,759	316,031	339,326	1,021,676	940,488
Gain on bargain purchase, net of expenses (a)	302,950	(15,851)	-	-	-	287,099	-
Net investment income	29,532	26,963	26,772	30,671	36,379	83,267	108,857
Realized gain on repurchase of debentures	-	-	-	-	-	-	8,752
Net realized gains (losses) on investments	5,429	(2,650)	(23,421)	6,757	(13,667)	(20,642)	(8,348)
Net unrealized gains (losses) on investments	50,437	37,249	22,153	(7,099)	(14,649)	109,839	(72,608)
Other income	1,101	1,017	757	1,598	1,269	2,875	3,666
Foreign exchange (losses) gains	(5,244)	8,432	(4,200)	(13,554)	(44,933)	(1,012)	(35,843)
<b>Total revenues</b>	<b>758,922</b>	<b>383,360</b>	<b>340,820</b>	<b>334,404</b>	<b>303,725</b>	<b>1,483,102</b>	<b>944,964</b>
<b>Expenses</b>							
Losses and loss expenses	134,152	124,751	131,834	191,576	318,464	390,736	580,578
Policy acquisition costs	64,236	64,438	61,449	61,407	60,425	190,125	173,545
General and administrative expenses	46,036	41,200	38,079	22,809	30,120	125,315	101,139
Share compensation expenses	5,862	5,632	7,354	7,279	6,012	18,848	19,818
Finance expenses	11,257	10,752	7,723	8,522	14,517	29,732	48,796
<b>Total expenses</b>	<b>261,543</b>	<b>246,773</b>	<b>246,439</b>	<b>291,593</b>	<b>429,538</b>	<b>754,756</b>	<b>923,876</b>
<b>Net income (loss) before taxes</b>	<b>497,379</b>	<b>136,587</b>	<b>94,381</b>	<b>42,811</b>	<b>(125,813)</b>	<b>728,346</b>	<b>21,088</b>
Tax benefit (expense)	1,799	976	526	(5,796)	(487)	3,301	(4,992)
<b>Net income (loss)</b>	<b>\$ 499,178</b>	<b>\$ 137,563</b>	<b>\$ 94,907</b>	<b>\$ 37,015</b>	<b>\$ (126,300)</b>	<b>\$ 731,647</b>	<b>\$ 16,096</b>
<b>Comprehensive income</b>							
Foreign currency translation adjustments	(915)	3,993	(196)	(6,330)	(1,556)	2,882	(1,479)
<b>Comprehensive income (loss)</b>	<b>\$ 498,263</b>	<b>\$ 141,556</b>	<b>\$ 94,711</b>	<b>\$ 30,685</b>	<b>\$ (127,856)</b>	<b>\$ 734,529</b>	<b>\$ 14,617</b>
<b>Earnings per share</b>							
Weighted average number of common shares and common share equivalents outstanding							
Basic	92,492,373	76,138,038	75,744,577	75,404,091	74,864,724	81,458,329	74,435,840
Diluted	95,834,809	78,942,065	79,102,643	75,740,546	74,864,724	84,626,505	77,922,718
<b>Basic earnings (loss) per share</b>	<b>\$ 5.38</b>	<b>\$ 1.79</b>	<b>\$ 1.23</b>	<b>\$ 0.47</b>	<b>\$ (1.71)</b>	<b>\$ 8.92</b>	<b>\$ 0.15</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ 5.21</b>	<b>\$ 1.74</b>	<b>\$ 1.20</b>	<b>\$ 0.47</b>	<b>\$ (1.71)</b>	<b>\$ 8.65</b>	<b>\$ 0.14</b>
<b>Cash dividends declared per share</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.60</b>	<b>\$ 0.60</b>

Notes:

(a) 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.

(b) Operating results of IPC have been included from September 4, 2009, the date of acquisition.





Validus Holdings, Ltd.

Consolidated Statements of Operations - Underwriting Income Format

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	September 30, 2008	
<b>Underwriting income</b>							
Gross premiums written	\$ 331,028	\$ 425,032	\$ 609,892	\$ 191,736	\$ 269,236	\$ 1,365,951	\$ 1,170,749
Reinsurance premiums ceded	(67,687)	(62,291)	(72,512)	(2,722)	(35,139)	(202,489)	(121,438)
Net premiums written	263,341	362,741	537,380	189,014	234,097	1,163,462	1,049,311
Change in unearned premiums	111,376	(34,541)	(218,621)	127,017	105,229	(141,786)	(108,823)
<b>Net premiums earned</b>	<b>374,717</b>	<b>328,200</b>	<b>318,759</b>	<b>316,031</b>	<b>339,326</b>	<b>1,021,676</b>	<b>940,488</b>
<b>Underwriting deductions</b>							
Losses and loss expenses	134,152	124,751	131,834	191,576	318,464	390,736	580,578
Policy acquisition costs	64,236	64,438	61,449	61,407	60,425	190,125	173,545
General and administrative expenses	46,036	41,200	38,079	22,809	30,120	125,315	101,139
Share compensation expenses	5,862	5,632	7,354	7,279	6,012	18,848	19,818
<b>Total underwriting deductions</b>	<b>250,286</b>	<b>236,021</b>	<b>238,716</b>	<b>283,071</b>	<b>415,021</b>	<b>725,024</b>	<b>875,080</b>
<b>Underwriting income (loss)</b>	<b>\$ 124,431</b>	<b>\$ 92,179</b>	<b>\$ 80,043</b>	<b>\$ 32,960</b>	<b>\$ (75,695)</b>	<b>\$ 296,652</b>	<b>\$ 65,408</b>
Net investment income	29,532	26,963	26,772	30,671	36,379	83,267	108,857
Other income	1,101	1,017	757	1,598	1,269	2,875	3,666
Finance expenses	(11,257)	(10,752)	(7,723)	(8,522)	(14,517)	(29,732)	(48,796)
<b>Operating income (loss) before taxes</b>	<b>143,807</b>	<b>109,407</b>	<b>99,849</b>	<b>56,707</b>	<b>(52,564)</b>	<b>353,062</b>	<b>129,135</b>
Tax benefit (expense)	1,799	976	526	(5,796)	(487)	3,301	(4,992)
<b>Net operating income (loss) (a)</b>	<b>\$ 145,606</b>	<b>\$ 110,383</b>	<b>\$ 100,375</b>	<b>\$ 50,911</b>	<b>\$ (53,051)</b>	<b>\$ 356,363</b>	<b>\$ 124,143</b>
Gain on bargain purchase, net of expenses (b)	302,950	(15,851)	-	-	-	287,099	-
Realized gain on repurchase of debentures	-	-	-	-	-	-	8,752
Net realized gains (losses) on investments	5,429	(2,650)	(23,421)	6,757	(13,667)	(20,642)	(8,348)
Net unrealized gains (losses) on investments	50,437	37,249	22,153	(7,099)	(14,649)	109,839	(72,608)
Foreign exchange (losses) gains	(5,244)	8,432	(4,200)	(13,554)	(44,933)	(1,012)	(35,843)
<b>Net income (loss)</b>	<b>\$ 499,178</b>	<b>\$ 137,563</b>	<b>\$ 94,907</b>	<b>\$ 37,015</b>	<b>\$ (126,300)</b>	<b>\$ 731,647</b>	<b>\$ 16,096</b>
<b>Selected ratios:</b>							
Net premiums written / Gross premiums written	79.6%	85.3%	88.1%	98.6%	86.9%	85.2%	89.6%
Losses and loss expenses	35.8%	38.0%	41.4%	60.6%	93.9%	38.2%	61.7%
Policy acquisition costs	17.1%	19.6%	19.3%	19.4%	17.8%	18.6%	18.5%
General and administrative expenses	13.8%	14.3%	14.3%	9.5%	10.6%	14.1%	12.9%
Expense ratio	30.9%	33.9%	33.6%	28.9%	28.4%	32.7%	31.4%
Combined ratio	66.7%	71.9%	75.0%	89.5%	122.3%	70.9%	93.1%

Notes:

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. on September 4, 2009 and is net of transaction expense:

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition



**Validus Holdings, Ltd.**  
**Computation of Earnings per Share**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended						Nine months ended					
	At September 30, 2009			At September 30, 2008			At September 30, 2009			At September 30, 2008		
	Net operating income	Net income	Comprehensive income	Net operating income	Net income	Comprehensive income	Net operating income	Net income	Comprehensive income	Net operating income	Net income	Comprehensive income
<b>Basic earnings (loss) per share</b>												
Income (loss)	\$ 145,606	\$ 499,178	\$ 498,263	\$ (53,051)	\$ (126,300)	\$ (127,856)	\$ 356,363	\$ 731,647	\$ 734,529	\$ 124,143	\$ 16,096	\$ 14,617
less: Dividends and distributions declared on outstanding warrants	(1,591)	(1,591)	(1,591)	(1,739)	(1,739)	(1,739)	(4,917)	(4,917)	(4,917)	(5,217)	(5,217)	(5,217)
Income (loss) available to common shareholders	\$ 144,015	\$ 497,587	\$ 496,672	\$ (54,790)	\$ (128,039)	\$ (129,595)	\$ 351,446	\$ 726,730	\$ 729,612	\$ 118,926	\$ 10,879	\$ 9,400
Weighted average number of common shares outstanding	92,492,373	92,492,373	92,492,373	74,864,724	74,864,724	74,864,724	81,458,329	81,458,329	81,458,329	74,435,840	74,435,840	74,435,840
<b>Basic earnings (loss) per share</b>	\$ 1.56	\$ 5.38	\$ 5.37	\$ (0.73)	\$ (1.71)	\$ (1.73)	\$ 4.31	\$ 8.92	\$ 8.96	\$ 1.60	\$ 0.15	\$ 0.13
<b>Diluted earnings (loss) per share</b>												
Income (loss)	\$ 145,606	\$ 499,178	\$ 498,263	\$ (53,051)	\$ (126,300)	\$ (127,856)	\$ 356,363	\$ 731,647	\$ 734,529	\$ 124,143	\$ 16,096	\$ 14,617
less: Dividends and distributions declared on outstanding warrants	-	-	-	(1,739)	(1,739)	(1,739)	-	-	-	(5,217)	(5,217)	(5,217)
Income (loss) available to common shareholders	\$ 145,606	\$ 499,178	\$ 498,263	\$ (54,790)	\$ (128,039)	\$ (129,595)	\$ 356,363	\$ 731,647	\$ 734,529	\$ 118,926	\$ 10,879	\$ 9,400
Weighted average number of common shares	92,492,373	92,492,373	92,492,373	74,864,724	74,864,724	74,864,724	81,458,329	81,458,329	81,458,329	74,435,840	74,435,840	74,435,840
Share equivalents:												
Warrants	2,146,172	2,146,172	2,146,172	-	-	-	2,086,546	2,086,546	2,086,546	2,065,282	2,065,282	2,065,282
Stock options	466,525	466,525	466,525	-	-	-	378,144	378,144	378,144	182,268	182,268	182,268
Unvested restricted shares	729,739	729,739	729,739	-	-	-	703,486	703,486	703,486	1,239,328	1,239,328	1,239,328
Weighted average number of diluted common shares outstanding	95,834,809	95,834,809	95,834,809	74,864,724	74,864,724	74,864,724	84,626,505	84,626,505	84,626,505	77,922,718	77,922,718	77,922,718
<b>Diluted earnings (loss) per share</b>	\$ 1.52	\$ 5.21	\$ 5.20	\$ (0.73)	\$ (1.71)	\$ (1.73)	\$ 4.21	\$ 8.65	\$ 8.68	\$ 1.53	\$ 0.14	\$ 0.12

**Notes:**

- (a) SFAS No. 123 requires that any unrecognized stock based compensation expense that will be recorded in future periods be included as proceeds for purposes of treasury stock repurchases, which is applied against the unvested restricted shares balance.
- (b) In the basic earnings per share calculation, dividends and distributions declared on warrants outstanding are deducted from net income. In calculating diluted earnings per share, we also consider the impact of increasing the number of dilutive shares by a portion of the warrants outstanding, calculated using the treasury stock method. Whichever adjustment is more dilutive is incorporated in the calculation of diluted earnings per share.
- (c) Due to the net loss incurred in the three months ended September 30, 2008, share equivalents were not included in the computation of diluted earnings per share, because of their anti-dilutive effect.



Validus Holdings, Ltd.

**Computation of Weighted Average Dilutive Shares Outstanding**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Average fair value per share	\$ 24.03	\$ 22.96	\$ 23.31	\$ 23.09
Basic weighted average common shares outstanding	92,492,373	74,864,724	81,458,329	74,435,840
Add: weighted average unvested restricted shares	3,383,298	-	3,108,322	3,823,251
Proceeds from unrecognized restricted share expenses	\$ 63,765	\$ -	\$ 56,057	\$ 59,663
Less: restricted shares bought back via treasury method	(2,653,559)	-	(2,404,836)	(2,583,923)
Add: weighted average dilutive warrants outstanding	7,952,138	-	8,194,808	8,694,848
Weighted average exercise price per share	\$ 17.55	\$ -	\$ 17.55	\$ 17.55
Less: warrants bought back via treasury method	(5,805,966)	-	(6,108,262)	(6,629,566)
Add: weighted average dilutive options outstanding	3,430,816	-	3,006,695	2,864,428
Weighted average exercise price per share	\$ 19.93	\$ -	\$ 18.79	\$ 18.21
Proceeds from unrecognized option expenses	\$ 6,659	\$ -	\$ 7,759	\$ 12,094
Less: options bought back via treasury method	(2,964,291)	-	(2,628,551)	(2,682,160)
<b>Weighted average dilutive shares outstanding</b>	<b>95,834,809</b>	<b>74,864,724</b>	<b>84,626,505</b>	<b>77,922,718</b>

**Notes:**

(a) Due to the net loss incurred for the three months ended September 30, 2008, share equivalents were not included in the computation of diluted earnings per share due to their anti-dilutive effect.



**Validus Holdings, Ltd.**

**Consolidated Segment Income Statement -Three months ended**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended September 30, 2009				Three months ended September 30, 2008			
	Validus Re (c)	Talbot	Corporate & Eliminations	Total	Validus Re	Talbot	Corporate & Eliminations	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 124,704	\$ 227,325	\$ (21,001)	\$ 331,028	\$ 125,029	\$ 157,307	\$ (13,100)	\$ 269,236
Reinsurance premiums ceded	(38,435)	(50,253)	21,001	(67,687)	(36,286)	(11,953)	13,100	(35,139)
Net premiums written	86,269	177,072	-	263,341	88,743	145,354	-	234,097
Change in unearned premiums	113,499	(2,123)	-	111,376	92,653	12,576	-	105,229
<b>Net premiums earned</b>	<b>199,768</b>	<b>174,949</b>	<b>-</b>	<b>374,717</b>	<b>181,396</b>	<b>157,930</b>	<b>-</b>	<b>339,326</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	45,987	88,165	-	134,152	217,081	101,383	-	318,464
Policy acquisition costs	32,648	33,106	(1,518)	64,236	26,520	34,026	(121)	60,425
General and administrative expenses	17,987	23,424	4,625	46,036	7,972	17,851	4,297	30,120
Share compensation expenses	1,766	1,371	2,725	5,862	1,809	1,164	3,039	6,012
<b>Total underwriting deductions</b>	<b>98,388</b>	<b>146,066</b>	<b>5,832</b>	<b>250,286</b>	<b>253,382</b>	<b>154,424</b>	<b>7,215</b>	<b>415,021</b>
<b>Underwriting income (loss)</b>	<b>\$ 101,380</b>	<b>\$ 28,883</b>	<b>\$ (5,832)</b>	<b>\$ 124,431</b>	<b>\$ (71,986)</b>	<b>\$ 3,506</b>	<b>\$ (7,215)</b>	<b>\$ (75,695)</b>
Net investment income	23,420	7,629	(1,517)	29,532	25,984	11,737	(1,342)	36,379
Other income	1,847	772	(1,518)	1,101	121	1,269	(121)	1,269
Finance expenses	(393)	(3,926)	(6,938)	(11,257)	(213)	(7,201)	(7,103)	(14,517)
<b>Operating income (loss) before taxes</b>	<b>126,254</b>	<b>33,358</b>	<b>(15,805)</b>	<b>143,807</b>	<b>(46,094)</b>	<b>9,311</b>	<b>(15,781)</b>	<b>(52,564)</b>
Tax (expense) benefit	(41)	1,840	-	1,799	(31)	(456)	-	(487)
<b>Net operating income (loss) (a)</b>	<b>\$ 126,213</b>	<b>\$ 35,198</b>	<b>\$ (15,805)</b>	<b>\$ 145,606</b>	<b>\$ (46,125)</b>	<b>\$ 8,855</b>	<b>\$ (15,781)</b>	<b>\$ (53,051)</b>
Gain on bargain purchase, net of expenses (b)	-	-	302,950	302,950	-	-	-	-
Net realized gains (losses) on investments	5,397	32	-	5,429	(12,528)	(1,139)	-	(13,667)
Net unrealized gains (losses) on investments	40,893	9,544	-	50,437	(15,946)	1,297	-	(14,649)
Foreign exchange gains (losses)	739	(5,983)	-	(5,244)	(22,919)	(22,014)	-	(44,933)
<b>Net income (loss)</b>	<b>\$ 173,242</b>	<b>\$ 38,791</b>	<b>\$ 287,145</b>	<b>\$ 499,178</b>	<b>\$ (97,518)</b>	<b>\$ (13,001)</b>	<b>\$ (15,781)</b>	<b>\$ (126,300)</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	69.2%	77.9%		79.6%	71.0%	92.4%		86.9%
Losses and loss expenses	23.0%	50.4%		35.8%	119.7%	64.2%		93.9%
Policy acquisition costs	16.3%	18.9%		17.1%	14.6%	21.5%		17.8%
General and administrative expenses	9.9%	14.2%		13.8%	5.4%	12.0%		10.6%
Expense ratio	26.2%	33.1%		30.9%	20.0%	33.5%		28.4%
Combined ratio	49.2%	83.5%		66.7%	139.7%	97.7%		122.3%

**Notes:**

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. on September 4, 2009 and is net of transaction expense:

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition



**Validus Holdings, Ltd.**  
**Underwriting Results by Class of Business - Three months ended - Validus Re**  
(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended September 30, 2009				Three months ended September 30, 2008			
	Property (b)	Marine	Specialty (b)	Total	Property (b)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 80,578	\$ 28,408	\$ 15,718	\$ 124,704	\$ 97,545	\$ 19,154	\$ 8,330	\$ 125,029
Reinsurance premiums ceded	(33,991)	(4,444)	-	(38,435)	(32,265)	(3,871)	(150)	(36,286)
Net premiums written	46,587	23,964	15,718	86,269	65,280	15,283	8,180	88,743
Change in unearned premiums	94,960	11,433	7,106	113,499	67,027	14,697	10,929	92,653
<b>Net premiums earned</b>	<b>141,547</b>	<b>35,397</b>	<b>22,824</b>	<b>199,768</b>	<b>132,307</b>	<b>29,980</b>	<b>19,109</b>	<b>181,396</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	6,889	28,486	10,612	45,987	156,665	56,750	3,666	217,081
Policy acquisition costs	22,884	6,392	3,372	32,648	19,027	4,990	2,503	26,520
<b>Total underwriting deductions before G&amp;A</b>	<b>29,773</b>	<b>34,878</b>	<b>13,984</b>	<b>78,635</b>	<b>175,692</b>	<b>61,740</b>	<b>6,169</b>	<b>243,601</b>
<b>Underwriting income (loss) before G&amp;A</b>	<b>\$ 111,774</b>	<b>\$ 519</b>	<b>\$ 8,840</b>	<b>\$ 121,133</b>	<b>\$ (43,385)</b>	<b>\$ (31,760)</b>	<b>\$ 12,940</b>	<b>\$ (62,205)</b>
General and administrative expenses				17,987				7,972
Share compensation expenses				1,766				1,809
<b>Total underwriting deductions</b>				<b>98,388</b>				<b>253,382</b>
<b>Underwriting income (loss)</b>				<b>101,380</b>				<b>(71,986)</b>
Net investment income				23,420				25,984
Other income				1,847				121
Finance expenses				(393)				(213)
<b>Operating income (loss) before taxes</b>				<b>126,254</b>				<b>(46,094)</b>
Tax (expense)				(41)				(31)
<b>Net operating income (loss) (a)</b>				<b>\$ 126,213</b>				<b>\$ (46,125)</b>
Net realized gains (losses) on investments				5,397				(12,528)
Net unrealized gains (losses) on investments				40,893				(15,946)
Foreign exchange gains (losses)				739				(22,919)
<b>Net income (loss)</b>				<b>\$ 173,242</b>				<b>\$ (97,518)</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	57.8%	84.4%	100.0%	69.2%	66.9%	79.8%	98.2%	71.0%
Losses and loss expenses	4.9%	80.5%	46.5%	23.0%	118.4%	189.3%	19.2%	119.7%
Policy acquisition costs	16.2%	18.1%	14.8%	16.3%	14.4%	16.6%	13.1%	14.6%
General and administrative expenses				9.9%				5.4%
Expense ratio				26.2%				20.0%
Combined ratio				49.2%				139.7%

**Notes:**

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) Specialty class includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' Compensation. During the nine months Nuclear and Agriculture were reclassified from Property to Specialty.

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition.



**Validus Holdings, Ltd.**

**Underwriting Results by Class of Business - Three months ended - Talbot**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended September 30, 2009				Three months ended September 30, 2008			
	Property (b)	Marine	Specialty (c)	Total	Property (b)	Marine	Specialty (c)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 79,155	\$ 69,621	\$ 78,549	\$ 227,325	\$ 35,194	\$ 66,676	\$ 55,437	\$ 157,307
Reinsurance premiums ceded	(40,728)	(4,317)	(5,208)	(50,253)	(4,466)	(3,663)	(3,824)	(11,953)
Net premiums written	38,427	65,304	73,341	177,072	30,728	63,013	51,613	145,354
Change in unearned premiums	(2,058)	13,413	(13,478)	(2,123)	1,993	8,117	2,466	12,576
<b>Net premiums earned</b>	<b>36,369</b>	<b>78,717</b>	<b>59,863</b>	<b>174,949</b>	<b>32,721</b>	<b>71,130</b>	<b>54,079</b>	<b>157,930</b>
<b>Underwriting deductions</b>								
Losses and loss expenses	17,160	46,280	24,725	88,165	45,401	43,983	11,999	101,383
Policy acquisition costs	3,553	15,194	14,359	33,106	5,283	15,806	12,937	34,026
<b>Total underwriting deductions before G&amp;A</b>	<b>20,713</b>	<b>61,474</b>	<b>39,084</b>	<b>121,271</b>	<b>50,684</b>	<b>59,789</b>	<b>24,936</b>	<b>135,409</b>
<b>Underwriting income (loss) before G&amp;A</b>	<b>\$ 15,656</b>	<b>\$ 17,243</b>	<b>\$ 20,779</b>	<b>\$ 53,678</b>	<b>\$ (17,963)</b>	<b>\$ 11,341</b>	<b>\$ 29,143</b>	<b>\$ 22,521</b>
General and administrative expenses				23,424				17,851
Share compensation expenses				1,371				1,164
<b>Total underwriting deductions</b>				<b>146,066</b>				<b>154,424</b>
<b>Underwriting income</b>				<b>28,883</b>				<b>3,506</b>
Net investment income				7,629				11,737
Other income				772				1,269
Finance expenses				(3,926)				(7,201)
<b>Operating income before taxes</b>				<b>33,358</b>				<b>9,311</b>
Tax benefit (expense)				1,840				(456)
<b>Net operating income (a)</b>				<b>\$ 35,198</b>				<b>\$ 8,855</b>
Net realized gains (losses) on investments				32				(1,139)
Net unrealized gains on investments				9,544				1,297
Foreign exchange (losses)				(5,983)				(22,014)
<b>Net income (loss)</b>				<b>\$ 38,791</b>				<b>\$ (13,001)</b>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	48.5%	93.8%	93.4%	77.9%	87.3%	94.5%	93.1%	92.4%
Losses and loss expenses	47.2%	58.8%	41.3%	50.4%	138.8%	61.8%	22.2%	64.2%
Policy acquisition costs	9.8%	19.3%	24.0%	18.9%	16.1%	22.2%	23.9%	21.5%
General and administrative expenses				14.2%				12.0%
Expense ratio				33.1%				33.5%
Combined ratio				83.5%				97.7%

**Notes:**

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) Property includes Onshore Energy.

(c) Specialty includes Accident, Health, Aviation, Bloodstock, Contingency, Financial institutions, Political Violence, Political Risk, War and other classes



**Validus Holdings, Ltd.**

**Consolidated Segment Income Statement - Nine months ended**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Nine months ended September 30, 2009				Nine months ended September 30, 2008			
	Validus Re (c)	Talbot	Corporate & Eliminations	Total	Validus Re	Talbot	Corporate & Eliminations	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 734,390	\$ 690,357	\$ (58,796)	\$ 1,365,951	\$ 643,898	\$ 556,335	\$ (29,484)	\$ 1,170,749
Reinsurance premiums ceded	(94,794)	(166,491)	58,796	(202,489)	(61,237)	(89,685)	29,484	(121,438)
Net premiums written	639,596	523,866	-	1,163,462	582,661	466,650	-	1,049,311
Change in unearned premiums	(101,684)	(40,102)	-	(141,786)	(93,498)	(15,325)	-	(108,823)
<b>Net premiums earned</b>	<u>537,912</u>	<u>483,764</u>	<u>-</u>	<u>1,021,676</u>	<u>489,163</u>	<u>451,325</u>	<u>-</u>	<u>940,488</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	142,570	248,166	-	390,736	324,673	255,905	-	580,578
Policy acquisition costs	90,346	102,378	(2,599)	190,125	72,232	101,458	(145)	173,545
General and administrative expenses	45,928	65,565	13,822	125,315	27,306	58,561	15,272	101,139
Share compensation expenses	4,986	5,804	8,058	18,848	4,632	3,266	11,920	19,818
<b>Total underwriting deductions</b>	<u>283,830</u>	<u>421,913</u>	<u>19,281</u>	<u>725,024</u>	<u>428,843</u>	<u>419,190</u>	<u>27,047</u>	<u>875,080</u>
<b>Underwriting income (loss)</b>	\$ 254,082	\$ 61,851	\$ (19,281)	\$ 296,652	\$ 60,320	\$ 32,135	\$ (27,047)	\$ 65,408
Net investment income	64,989	22,816	(4,538)	83,267	76,736	34,445	(2,324)	108,857
Other income	3,034	2,440	(2,599)	2,875	145	3,666	(145)	3,666
Finance expenses	(1,233)	(7,688)	(20,811)	(29,732)	(655)	(25,821)	(22,320)	(48,796)
<b>Operating income (loss) before taxes</b>	<u>320,872</u>	<u>79,419</u>	<u>(47,229)</u>	<u>353,062</u>	<u>136,546</u>	<u>44,425</u>	<u>(51,836)</u>	<u>129,135</u>
Tax (expense) benefit	(107)	3,408	-	3,301	(78)	(4,914)	-	(4,992)
<b>Net operating income (loss) (a)</b>	\$ 320,765	\$ 82,827	\$ (47,229)	\$ 356,363	\$ 136,468	\$ 39,511	\$ (51,836)	\$ 124,143
Gain on bargain purchase, net of expenses (b)	-	-	287,099	287,099	-	-	-	-
Realized gain on repurchase of debentures	-	-	-	-	-	-	8,752	8,752
Net realized (losses) gains on investments	(14,282)	(6,360)	-	(20,642)	(13,711)	5,363	-	(8,348)
Net unrealized gains (losses) on investments	95,693	14,146	-	109,839	(58,617)	(13,991)	-	(72,608)
Foreign exchange (losses) gains	(641)	(427)	56	(1,012)	(15,647)	(20,196)	-	(35,843)
<b>Net income (loss)</b>	<u>\$ 401,535</u>	<u>\$ 90,186</u>	<u>\$ 239,926</u>	<u>\$ 731,647</u>	<u>\$ 48,493</u>	<u>\$ 10,687</u>	<u>\$ (43,084)</u>	<u>\$ 16,096</u>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	87.1%	75.9%		85.2%	90.5%	83.9%		89.6%
Losses and loss expenses	26.5%	51.3%		38.2%	66.4%	56.7%		61.7%
Policy acquisition costs	16.8%	21.2%		18.6%	14.8%	22.5%		18.5%
General and administrative expenses	9.5%	14.8%		14.1%	6.5%	13.7%		12.9%
Expense ratio	<u>26.3%</u>	<u>36.0%</u>		<u>32.7%</u>	<u>21.3%</u>	<u>36.2%</u>		<u>31.4%</u>
Combined ratio	<u>52.8%</u>	<u>87.3%</u>		<u>70.9%</u>	<u>87.7%</u>	<u>92.9%</u>		<u>93.1%</u>

**Notes:**

(a) Net operating income (loss), a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) The gain on bargain purchase, net of expenses is from the acquisition of IPC Holdings, Ltd. on September 4, 2009 and is net of transaction expenses

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition



**Validus Holdings, Ltd.**

**Underwriting Results by Class of Business - Nine months ended - Validus Re**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Nine months ended September 30, 2009				Nine months ended September 30, 2008			
	Property (b)	Marine	Specialty (b)	Total	Property (b)	Marine	Specialty (b)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 499,143	\$ 153,913	\$ 81,334	\$ 734,390	\$ 471,963	\$ 111,945	\$ 59,990	\$ 643,898
Reinsurance premiums ceded	(80,014)	(13,211)	(1,569)	(94,794)	(37,158)	(23,526)	(553)	(61,237)
Net premiums written	419,129	140,702	79,765	639,596	434,805	88,419	59,437	582,661
Change in unearned premiums	(44,930)	(46,318)	(10,436)	(101,684)	(73,778)	(13,310)	(6,410)	(93,498)
<b>Net premiums earned</b>	<u>374,199</u>	<u>94,384</u>	<u>69,329</u>	<u>537,912</u>	<u>361,027</u>	<u>75,109</u>	<u>53,027</u>	<u>489,163</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	53,909	66,997	21,664	142,570	230,951	77,201	16,521	324,673
Policy acquisition costs	61,126	20,054	9,166	90,346	54,437	10,496	7,299	72,232
<b>Total underwriting deductions before G&amp;A</b>	<u>115,035</u>	<u>87,051</u>	<u>30,830</u>	<u>232,916</u>	<u>285,388</u>	<u>87,697</u>	<u>23,820</u>	<u>396,905</u>
<b>Underwriting income (loss) before G&amp;A</b>	\$ 259,164	\$ 7,333	\$ 38,499	\$ 304,996	\$ 75,639	\$ (12,588)	\$ 29,207	\$ 92,258
General and administrative expenses				45,928				27,306
Share compensation expenses				4,986				4,632
<b>Total underwriting deductions</b>				<u>283,830</u>				<u>428,843</u>
<b>Underwriting income</b>				254,082				60,320
Net investment income				64,989				76,736
Other income				3,034				145
Finance expenses				(1,233)				(655)
<b>Operating income before taxes</b>				320,872				136,546
Tax (expense)				(107)				(78)
<b>Net operating income (a)</b>				\$ 320,765				\$ 136,468
Net realized (losses) on investments				(14,282)				(13,711)
Net unrealized gains (losses) on investments				95,693				(58,617)
Foreign exchange (losses)				(641)				(15,647)
<b>Net income</b>				<u>\$ 401,535</u>				<u>\$ 48,493</u>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	84.0%	91.4%	98.1%	87.1%	92.1%	79.0%	99.1%	90.5%
Losses and loss expenses	14.4%	71.0%	31.2%	26.5%	64.0%	102.8%	31.2%	66.4%
Policy acquisition costs	16.3%	21.2%	13.2%	16.8%	15.1%	14.0%	13.8%	14.8%
General and administrative expenses				9.5%				6.5%
Expense ratio				26.3%				21.3%
Combined ratio				<u>52.8%</u>				<u>87.7%</u>

**Notes:**

(a) Net operating income, a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) Specialty class includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' Compensation. During the nine months Nuclear and Agriculture were reclassified from Property to Specialty.

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition.





**Validus Holdings, Ltd.**

**Underwriting Results by Class of Business - Nine months ended - Talbot**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Nine months ended September 30, 2009				Nine months ended September 30, 2008			
	Property (b)	Marine	Specialty (c)	Total	Property (b)	Marine	Specialty (c)	Total
<b>Underwriting income</b>								
Gross premiums written	\$ 218,650	\$ 244,688	\$ 227,019	\$ 690,357	\$ 122,984	\$ 230,777	\$ 202,574	\$ 556,335
Reinsurance premiums ceded	(95,690)	(27,184)	(43,617)	(166,491)	(27,532)	(19,956)	(42,197)	(89,685)
Net premiums written	122,960	217,504	183,402	523,866	95,452	210,821	160,377	466,650
Change in unearned premiums	(25,280)	(8,521)	(6,301)	(40,102)	(3,824)	(11,820)	319	(15,325)
<b>Net premiums earned</b>	<u>97,680</u>	<u>208,983</u>	<u>177,101</u>	<u>483,764</u>	<u>91,628</u>	<u>199,001</u>	<u>160,696</u>	<u>451,325</u>
<b>Underwriting deductions</b>								
Losses and loss expenses	28,943	121,396	97,827	248,166	78,878	128,268	48,759	255,905
Policy acquisition costs	14,692	44,461	43,225	102,378	16,855	45,445	39,158	101,458
<b>Total underwriting deductions before G&amp;A</b>	<u>43,635</u>	<u>165,857</u>	<u>141,052</u>	<u>350,544</u>	<u>95,733</u>	<u>173,713</u>	<u>87,917</u>	<u>357,363</u>
<b>Underwriting income (loss) before G&amp;A</b>	\$ 54,045	\$ 43,126	\$ 36,049	\$ 133,220	\$ (4,105)	\$ 25,288	\$ 72,779	\$ 93,962
General and administrative expenses				65,565				58,561
Share compensation expenses				5,804				3,266
<b>Total underwriting deductions</b>				<u>421,913</u>				<u>419,190</u>
<b>Underwriting income</b>				61,851				32,135
Net investment income				22,816				34,445
Other income				2,440				3,666
Finance expenses				(7,688)				(25,821)
<b>Operating income before taxes</b>				79,419				44,425
Tax benefit (expense)				3,408				(4,914)
<b>Net operating income (a)</b>				\$ 82,827				\$ 39,511
Net realized (losses) gains on investments				(6,360)				5,363
Net unrealized gains (losses) on investments				14,146				(13,991)
Foreign exchange (losses)				(427)				(20,196)
<b>Net income</b>				<u>\$ 90,186</u>				<u>\$ 10,687</u>
<b>Selected ratios:</b>								
Net premiums written / Gross premiums written	56.2%	88.9%	80.8%	75.9%	77.6%	91.4%	79.2%	83.9%
Losses and loss expenses	29.6%	58.1%	55.2%	51.3%	86.1%	64.5%	30.3%	56.7%
Policy acquisition costs	15.0%	21.3%	24.4%	21.2%	18.4%	22.8%	24.4%	22.5%
General and administrative expenses				14.8%				13.7%
Expense ratio				36.0%				36.2%
Combined ratio				87.3%				92.9%

**Notes:**

(a) Net operating income, a non-GAAP financial measure, is defined as net income excluding net realized and unrealized gains or losses on investments, foreign exchange gains and losses and non-recurring items. This measure focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, translation of non-U.S.\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-U.S.\$ denominated balances are unrelated to our underlying business. Refer to the Non-GAAP Financial Measure Reconciliation on page 36.

(b) Property includes Onshore Energy.

(c) Specialty includes Accident, Health, Aviation, Bloodstock, Contingency, Financial institutions, Political Violence, Political Risk, War and other classes



**Validus Holdings, Ltd.**

**Class of Business Treaty Type Detail (Gross Premiums Written) - Validus Re**

(Expressed in thousands of U.S. Dollars, except share and per share information)

<u>Validus Re Segment</u>		<u>Three months ended</u>				<u>Nine months ended</u>			
		<u>September 30, 2009</u>		<u>September 30, 2008</u>		<u>September 30, 2009</u>		<u>September 30, 2008</u>	
<u>Class of business</u>	<u>Treaty type</u>	<u>Gross premiums written</u>		<u>Gross premiums written</u>		<u>Gross premiums written</u>		<u>Gross premiums written</u>	
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>Property</b>	Cat XOL (a)	\$ 45,180	36.3%	\$ 59,897	47.9%	\$ 370,545	50.4%	\$ 318,305	49.4%
	Per Risk XOL (b)	19,125	15.3%	24,363	19.5%	39,559	5.4%	52,293	8.1%
	Proportional (c)	16,273	13.0%	13,285	10.6%	89,039	12.1%	101,365	15.7%
		<u>80,578</u>	<u>64.6%</u>	<u>97,545</u>	<u>78.0%</u>	<u>499,143</u>	<u>67.9%</u>	<u>471,963</u>	<u>73.2%</u>
<b>Marine</b>	Cat XOL (a)	3,513	2.8%	(82)	-0.1%	9,247	1.3%	759	0.1%
	Per Risk XOL (b)	7,200	5.8%	16,773	13.4%	64,794	8.8%	84,396	13.1%
	Proportional (c)	17,695	14.2%	2,463	2.0%	79,872	10.9%	26,790	4.2%
		<u>28,408</u>	<u>22.8%</u>	<u>19,154</u>	<u>15.3%</u>	<u>153,913</u>	<u>21.0%</u>	<u>111,945</u>	<u>17.4%</u>
<b>Specialty (e) (f)</b>	Cat XOL (a)	6,220	5.0%	4,411	3.6%	37,200	5.1%	30,780	4.8%
	Per Risk XOL (b)	(95)	-0.1%	497	0.4%	11,770	1.6%	1,161	0.2%
	Proportional (c)	9,593	7.7%	3,422	2.7%	32,364	4.4%	28,049	4.4%
		<u>15,718</u>	<u>12.6%</u>	<u>8,330</u>	<u>6.7%</u>	<u>81,334</u>	<u>11.1%</u>	<u>59,990</u>	<u>9.4%</u>
<b>Total</b>	Cat XOL (a)	54,913	44.1%	64,226	51.4%	416,992	56.8%	349,844	54.3%
	Per Risk XOL (b)	26,230	21.0%	41,633	33.3%	116,123	15.8%	137,850	21.4%
	Proportional (c)	43,561	34.9%	19,170	15.3%	201,275	27.4%	156,204	24.3%
		<u>\$ 124,704</u>	<u>100.0%</u>	<u>\$ 125,029</u>	<u>100.0%</u>	<u>\$ 734,390</u>	<u>100.0%</u>	<u>\$ 643,898</u>	<u>100.0%</u>

**Notes:**

(a) Property and Specialty Cat XOL is comprised of Catastrophe XOL, Aggregate XOL, RPP, Per Event XOL, Second Event and Third Event covers

(b) Proportional is comprised of Quota Share and Surplus Share covers

(c) Marine Cat XOL is comprised of Catastrophe XOL, Aggregate XOL, RPP, Second Event and Third Event covers

(d) Specialty includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' compensation.

(e) During the nine months Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(f) Operating results of IPC have been included in the Validus Re segment from September 4, 2009, the date of acquisition.



Validus Holdings, Ltd.

**Consolidated Class of Business Policy Type Detail - Gross Premiums Written**

(Expressed in thousands of U.S. Dollars, except share and per share information)

Class of business	Treaty type	Three months ended				Nine months ended			
		September 30, 2009		September 30, 2008		September 30, 2009		September 30, 2008	
		Gross premiums written	%	Gross premiums written	%	Gross premiums written	%	Gross premiums written	%
<b>Property (a)</b>	Treaty Reinsurance	\$ 82,231	24.8%	\$ 97,452	36.2%	\$ 524,333	38.5%	\$ 499,175	42.6%
	Facultative Reinsurance	38,719	11.7%	12,266	4.6%	87,733	6.4%	34,594	3.0%
	Direct Reinsurance	20,530	6.2%	14,113	5.2%	67,141	4.9%	44,207	3.8%
		<u>141,480</u>	<u>42.7%</u>	<u>123,831</u>	<u>46.0%</u>	<u>679,207</u>	<u>49.8%</u>	<u>577,976</u>	<u>49.4%</u>
<b>Marine</b>	Treaty Reinsurance	\$ 32,308	9.8%	\$ 22,796	8.5%	\$ 182,051	13.3%	\$ 130,677	11.2%
	Facultative Reinsurance	19,222	5.8%	15,846	5.9%	70,060	5.1%	66,903	5.7%
	Direct Reinsurance	44,242	13.4%	44,631	16.6%	134,192	9.8%	138,276	11.8%
		<u>95,772</u>	<u>29.0%</u>	<u>83,273</u>	<u>31.0%</u>	<u>386,303</u>	<u>28.2%</u>	<u>335,856</u>	<u>28.7%</u>
<b>Specialty (b)</b>	Treaty Reinsurance	\$ 20,902	6.3%	\$ 12,125	4.5%	\$ 113,544	8.3%	\$ 86,521	7.4%
	Facultative Reinsurance	24,863	7.5%	12,857	4.8%	58,233	4.3%	48,040	4.1%
	Direct Reinsurance	48,011	14.5%	37,150	13.7%	128,664	9.4%	122,356	10.4%
		<u>93,776</u>	<u>28.3%</u>	<u>62,132</u>	<u>23.0%</u>	<u>300,441</u>	<u>22.0%</u>	<u>256,917</u>	<u>21.9%</u>
<b>Total</b>	Treaty Reinsurance	135,441	40.9%	132,373	49.2%	819,928	60.1%	716,373	61.2%
	Facultative Reinsurance	82,804	25.0%	40,969	15.3%	216,026	15.8%	149,537	12.8%
	Direct Reinsurance	112,783	34.1%	95,894	35.5%	329,997	24.1%	304,839	26.0%
		<u>\$ 331,028</u>	<u>100.0%</u>	<u>\$ 269,236</u>	<u>100.0%</u>	<u>\$ 1,365,951</u>	<u>100.0%</u>	<u>\$ 1,170,749</u>	<u>100.0%</u>

**Notes:**

(a) For the Talbot segment, the Property class includes Onshore Energy

(b) For the Validus Re segment, the Specialty class includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' Compensation. For the Talbot segment Specialty includes Accident, Health, Aviation, Bloodstock, Contingency, Financial institutions, Political Violence, Political Risk, War and other classes.

(c) Operating results of IPC have been included in the Validus Re segment from September 4, 2009, the date of acquisition



**Validus Holdings, Ltd.**

**Gross Premiums Written by Segment by Class of Business**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended			
	September 30,	June 30,	March 31,	December 31,	September 30,	September 30,	September 30,	September 30,
	2009	2009	2009	2008	2008	2009	2008	2008
<b>Validus Re</b>								
Property (a)	\$ 80,578	\$ 183,898	\$ 234,667	\$ 21,004	\$ 97,545	\$ 499,143	\$ 471,963	
Marine	28,408	3,957	121,548	5,799	19,154	153,913	111,945	
Aerospace	7,737	5,989	14,032	14,141	5,567	27,758	25,182	
Agriculture (a)	435	264	5,559	-	-	6,258	-	
Financial	259	969	1,412	-	-	2,640	4,125	
Life and A&H	1,200	74	2,029	-	-	3,303	1,009	
Nuclear (a)	608	-	3,872	-	-	4,480	-	
Terrorism	3,559	3,862	21,973	2,207	1,598	29,394	23,295	
Workers' Comp	1,920	547	5,034	722	1,165	7,501	6,379	
<b>Total Validus Re Segment</b>	<b>124,704</b>	<b>199,560</b>	<b>410,126</b>	<b>43,873</b>	<b>125,029</b>	<b>734,390</b>	<b>643,898</b>	
<b>Talbot</b>								
Property	44,739	47,651	51,772	29,161	35,194	144,162	122,984	
Onshore Energy	34,416	31,118	8,954	-	-	74,488	-	
Marine	69,621	82,657	92,410	56,916	66,676	244,688	230,777	
Accident & Health	6,151	4,957	4,974	3,002	6,425	16,082	15,312	
Aviation & Other	26,475	14,220	12,933	7,485	6,248	53,628	32,543	
Bloodstock	4,568	2,746	3,086	3,906	3,574	10,400	13,031	
Contingency	4,885	5,685	5,915	4,818	7,103	16,485	18,106	
Financial Institutions	9,989	8,637	9,098	12,065	7,723	27,724	30,198	
War	26,481	37,442	38,778	35,309	24,364	102,700	93,384	
<b>Total Talbot Segment</b>	<b>227,325</b>	<b>235,113</b>	<b>227,920</b>	<b>152,662</b>	<b>157,307</b>	<b>690,357</b>	<b>556,335</b>	
<b>Intersegment Revenue</b>								
Property	(18,253)	(7,225)	(13,108)	(4,753)	(8,908)	(38,586)	(16,971)	
Marine	(2,257)	(2,183)	(7,858)	(1,677)	(2,557)	(12,298)	(6,866)	
Specialty	(491)	(233)	(7,188)	1,631	(1,635)	(7,912)	(5,647)	
<b>Total Intersegment Revenue Eliminated</b>	<b>(21,001)</b>	<b>(9,641)</b>	<b>(28,154)</b>	<b>(4,799)</b>	<b>(13,100)</b>	<b>(58,796)</b>	<b>(29,484)</b>	
<b>Total Gross Premiums Written</b>	<b>\$ 331,028</b>	<b>\$ 425,032</b>	<b>\$ 609,892</b>	<b>\$ 191,736</b>	<b>\$ 269,236</b>	<b>\$ 1,365,951</b>	<b>\$ 1,170,749</b>	

**Notes:**

(a) During the nine months, Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(b) Operating results of IPC have been included from September 4, 2009, the date of acquisition



Validus Holdings, Ltd.

**Underwriting Income - Validus Re Segment**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30,	June 30,	March 31,	December 31,	September 30,	September 30,	September 30,
	2009	2009	2009	2008	2008	2009	2008
<b>Underwriting income</b>							
Gross premiums written	\$ 124,704	\$ 199,560	\$ 410,126	\$ 43,873	\$ 125,029	\$ 734,390	\$ 643,898
Reinsurance premiums ceded	(38,435)	(43,070)	(13,289)	(1,696)	(36,286)	(94,794)	(61,237)
Net premiums written	86,269	156,490	396,837	42,177	88,743	639,596	582,661
Change in unearned premiums	113,499	7,207	(222,390)	122,191	92,653	(101,684)	(93,498)
Net premiums earned	<u>199,768</u>	<u>163,697</u>	<u>174,447</u>	<u>164,368</u>	<u>181,396</u>	<u>537,912</u>	<u>489,163</u>
<b>Underwriting deductions</b>							
Losses and loss expenses	45,987	41,121	55,462	95,972	217,081	142,570	324,673
Policy acquisition costs	32,648	29,120	28,577	28,011	26,520	90,346	72,232
General and administrative expenses	17,987	14,149	13,792	7,301	7,972	45,928	27,306
Share compensation expenses	1,766	1,548	1,672	2,197	1,809	4,986	4,632
Total underwriting deductions	<u>98,388</u>	<u>85,938</u>	<u>99,503</u>	<u>133,481</u>	<u>253,382</u>	<u>283,830</u>	<u>428,843</u>
<b>Underwriting income (loss)</b>	<u>\$ 101,380</u>	<u>\$ 77,759</u>	<u>\$ 74,944</u>	<u>\$ 30,887</u>	<u>\$ (71,986)</u>	<u>\$ 254,082</u>	<u>\$ 60,320</u>
<b>Selected ratios:</b>							
Losses and loss expenses	23.0%	25.1%	31.8%	58.4%	119.7%	26.5%	66.4%
Policy acquisition costs	16.3%	17.8%	16.4%	17.0%	14.6%	16.8%	14.8%
General and administrative expenses	9.9%	9.6%	8.9%	5.8%	5.4%	9.5%	6.5%
Expense ratio	<u>26.2%</u>	<u>27.4%</u>	<u>25.3%</u>	<u>22.8%</u>	<u>20.0%</u>	<u>26.3%</u>	<u>21.3%</u>
Combined ratio	<u>49.2%</u>	<u>52.5%</u>	<u>57.1%</u>	<u>81.2%</u>	<u>139.7%</u>	<u>52.8%</u>	<u>87.7%</u>

**Notes:**

(a) Operating results of IPC have been included in the Validus Re segment from September 4, 2009, the date of acquisition.



Validus Holdings, Ltd.

**Underwriting Income - Talbot Segment**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30,	June 30,	March 31,	December 31,	September 30,	September 30,	
	2009	2009	2009	2008	2008	2008	
<b>Underwriting income</b>							
Gross premiums written	\$ 227,325	\$ 235,113	\$ 227,920	\$ 152,662	\$ 157,307	\$ 690,357	\$ 556,335
Reinsurance premiums ceded	(50,253)	(28,862)	(87,377)	(5,825)	(11,953)	(166,491)	(89,685)
Net premiums written	177,072	206,251	140,543	146,837	145,354	523,866	466,650
Change in unearned premiums	(2,123)	(41,748)	3,769	4,826	12,576	(40,102)	(15,325)
Net premiums earned	<u>174,949</u>	<u>164,503</u>	<u>144,312</u>	<u>151,663</u>	<u>157,930</u>	<u>483,764</u>	<u>451,325</u>
<b>Underwriting deductions</b>							
Losses and loss expenses	88,165	83,630	76,372	95,604	101,383	248,166	255,905
Policy acquisition costs	33,106	36,114	33,157	33,560	34,026	102,378	101,458
General and administrative expenses	23,424	21,927	20,214	12,882	17,851	65,565	58,561
Share compensation expenses	1,371	2,098	2,335	1,436	1,164	5,804	3,266
Total underwriting deductions	<u>146,066</u>	<u>143,769</u>	<u>132,078</u>	<u>143,482</u>	<u>154,424</u>	<u>421,913</u>	<u>419,190</u>
<b>Underwriting income</b>	<u>\$ 28,883</u>	<u>\$ 20,734</u>	<u>\$ 12,234</u>	<u>\$ 8,181</u>	<u>\$ 3,506</u>	<u>\$ 61,851</u>	<u>\$ 32,135</u>
<b>Selected ratios:</b>							
Losses and loss expenses	50.4%	50.8%	52.9%	63.0%	64.2%	51.3%	56.7%
Policy acquisition costs	18.9%	22.0%	23.0%	22.1%	21.5%	21.2%	22.5%
General and administrative expenses	14.2%	14.6%	15.6%	9.4%	12.0%	14.8%	13.7%
Expense ratio	<u>33.1%</u>	<u>36.6%</u>	<u>38.6%</u>	<u>31.5%</u>	<u>33.5%</u>	<u>36.0%</u>	<u>36.2%</u>
Combined ratio	<u>83.5%</u>	<u>87.4%</u>	<u>91.5%</u>	<u>94.5%</u>	<u>97.7%</u>	<u>87.3%</u>	<u>92.9%</u>



Validus Holdings, Ltd.

**Underwriting Income - Class of Business - Property**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended	
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	September 30, 2008
<b>Underwriting income</b>						
Net premiums written	\$ 85,014	\$ 198,204	\$ 258,868	\$ 46,769	\$ 96,008	\$ 542,089
<b>Net premiums earned</b>	<u>177,916</u>	<u>143,843</u>	<u>150,116</u>	<u>145,752</u>	<u>165,028</u>	<u>471,879</u>
<b>Underwriting deductions</b>						
Losses and loss expenses	24,049	24,105	34,698	107,380	202,066	82,852
Policy acquisition costs	26,437	23,592	25,788	26,361	24,310	75,818
<b>Total underwriting deductions</b>	<u>50,486</u>	<u>47,697</u>	<u>60,486</u>	<u>133,741</u>	<u>226,376</u>	<u>158,670</u>
<b>Underwriting income (loss) before G&amp;A</b>	<u>\$ 127,430</u>	<u>\$ 96,146</u>	<u>\$ 89,630</u>	<u>\$ 12,011</u>	<u>\$ (61,348)</u>	<u>\$ 313,209</u>
<b>Selected underwriting ratios (a):</b>						
Losses and loss expenses	13.5%	16.8%	23.1%	73.7%	122.4%	17.6%
Policy acquisition costs	14.9%	16.4%	17.2%	18.1%	14.7%	16.1%
Combined ratio before G&A	<u>28.4%</u>	<u>33.2%</u>	<u>40.3%</u>	<u>91.8%</u>	<u>137.1%</u>	<u>33.7%</u>

**Notes:**

(a) The selected underwriting ratios are calculated by dividing each item by net premiums earned.

(b) During the nine months, Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition.



Validus Holdings, Ltd.

**Underwriting Income - Class of Business - Marine**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	September 30, 2008	
<b>Underwriting income</b>							
Net premiums written	\$ 89,268	\$ 81,798	\$ 187,139	\$ 58,252	\$ 78,296	\$ 358,206	\$ 299,240
<b>Net premiums earned</b>	<u>114,114</u>	<u>100,953</u>	<u>88,301</u>	<u>93,340</u>	<u>101,110</u>	<u>303,367</u>	<u>274,110</u>
<b>Underwriting deductions</b>							
Losses and loss expenses	74,766	49,099	64,529	47,031	100,733	188,393	205,469
Policy acquisition costs	21,586	23,590	19,339	18,432	20,796	64,515	55,941
<b>Total underwriting deductions</b>	<u>96,352</u>	<u>72,689</u>	<u>83,868</u>	<u>65,463</u>	<u>121,529</u>	<u>252,908</u>	<u>261,410</u>
<b>Underwriting income (loss) before G&amp;A</b>	<u>\$ 17,762</u>	<u>\$ 28,264</u>	<u>\$ 4,433</u>	<u>\$ 27,877</u>	<u>\$ (20,419)</u>	<u>\$ 50,459</u>	<u>\$ 12,700</u>
<b>Selected underwriting ratios (a):</b>							
Losses and loss expenses	65.5%	48.6%	73.1%	50.4%	99.6%	62.1%	75.0%
Policy acquisition costs	18.9%	23.4%	21.9%	19.7%	20.6%	21.3%	20.4%
Combined ratio before G&A	<u>84.4%</u>	<u>72.0%</u>	<u>95.0%</u>	<u>70.1%</u>	<u>120.2%</u>	<u>83.4%</u>	<u>95.4%</u>

**Notes:**

(a) The selected underwriting ratios are calculated by dividing each item by net premiums earned.





Validus Holdings, Ltd.

**Underwriting Income - Class of Business - Specialty**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Three months ended				Nine months ended		
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008	September 30, 2008	
<b>Underwriting income</b>							
Net premiums written	\$ 89,059	\$ 82,739	\$ 91,371	\$ 83,993	\$ 59,793	\$ 263,167	\$ 219,814
<b>Net premiums earned</b>	<u>82,687</u>	<u>83,404</u>	<u>80,342</u>	<u>76,939</u>	<u>73,188</u>	<u>246,430</u>	<u>213,723</u>
<b>Underwriting deductions</b>							
Losses and loss expenses	35,337	51,547	32,607	37,165	15,665	119,491	65,280
Policy acquisition costs	<u>17,731</u>	<u>18,052</u>	<u>16,607</u>	<u>16,778</u>	<u>15,440</u>	<u>52,391</u>	<u>46,457</u>
<b>Total underwriting deductions</b>	<u>53,068</u>	<u>69,599</u>	<u>49,214</u>	<u>53,943</u>	<u>31,105</u>	<u>171,882</u>	<u>111,737</u>
<b>Underwriting income before G&amp;A</b>	<u>\$ 29,619</u>	<u>\$ 13,805</u>	<u>\$ 31,128</u>	<u>\$ 22,996</u>	<u>\$ 42,083</u>	<u>\$ 74,548</u>	<u>\$ 101,986</u>
<b>Selected underwriting ratios (a):</b>							
Losses and loss expenses	42.7%	61.8%	40.6%	48.3%	21.4%	48.5%	30.5%
Policy acquisition costs	<u>21.4%</u>	<u>21.6%</u>	<u>20.7%</u>	<u>21.8%</u>	<u>21.1%</u>	<u>21.3%</u>	<u>21.7%</u>
Combined ratio before G&A	<u>64.1%</u>	<u>83.4%</u>	<u>61.3%</u>	<u>70.1%</u>	<u>42.5%</u>	<u>69.8%</u>	<u>52.2%</u>

**Notes:**

(a) The selected underwriting ratios are calculated by dividing each item by net premiums earned.

(b) During the nine months, Nuclear and Agriculture were reclassified from Property to Specialty and internal re-categorization by treaty type occurred.

(c) For the Validus Re segment, the Specialty class includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' Compensation. For the Talbot segment, Specialty includes Accident, Health, Aviation, Bloodstock, Contingency, Financial institutions, Political Violence, Political Risk, War and other classes.



Validus Holdings, Ltd.

**Consolidated Analysis of Reserves for Losses and Loss Expenses**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	At September 30, 2009			At December 31, 2008		
	Reserve for losses and loss expenses	Loss reserves recoverable	Net	Reserve for losses and loss expenses	Loss reserves recoverable	Net
Property	\$ 716,664	\$ 22,056	\$ 694,608	\$ 471,194	\$ 12,554	\$ 458,640
Marine	603,846	111,033	492,813	595,509	164,398	431,111
Specialty (a)	304,233	39,012	265,221	238,600	31,844	206,756
<b>Total</b>	<u>\$ 1,624,743</u>	<u>\$ 172,101</u>	<u>\$ 1,452,642</u>	<u>\$ 1,305,303</u>	<u>\$ 208,796</u>	<u>\$ 1,096,507</u>

	At September 30, 2009			At December 31, 2008		
	Case Reserves	IBNR	Total Reserves	Case Reserves	IBNR	Total Reserves
Property	\$ 393,729	\$ 322,935	\$ 716,664	\$ 287,903	\$ 183,291	\$ 471,194
Marine	354,584	249,262	603,846	344,998	250,511	595,509
Specialty (a)	129,543	174,690	304,233	74,816	163,784	238,600
<b>Total</b>	<u>\$ 877,856</u>	<u>\$ 746,887</u>	<u>\$ 1,624,743</u>	<u>\$ 707,717</u>	<u>\$ 597,586</u>	<u>\$ 1,305,303</u>
<b>% of Total</b>	54.0%	46.0%	100.0%	54.2%	45.8%	100.0%

**Notes:**

(a) For the Validus Re segment, the Specialty class includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' Compensation. For the Talbot segment, Specialty includes Accident, Health, Aviation, Bloodstock, Contingency, Financial institutions, Political Violence, Political Risk, War and other classes. The Property Class includes Onshore Energy.

(b) For the Talbot segment, the Property class includes Onshore Energy.

(c) Operating results of IPC have been included from September 4, 2009, the date of acquisition.



**Validus Holdings, Ltd.**

**Consolidated Losses and Loss Ratios by Segment**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	At or for the three months ended							
	At September 30, 2009				At September 30, 2008			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Net reserves at period beginning	\$ 427,542	\$ 714,727	\$ -	\$ 1,142,269	\$ 263,122	\$ 633,737	\$ -	\$ 896,859
Net reserves acquired in IPC acquisition	304,957	-	-	304,957				
Incurred losses- current year	65,259	100,919	-	166,178	220,594	124,016	-	344,610
Change in prior accident years	(19,272)	(12,754)	-	(32,026)	(3,513)	(22,633)	-	(26,146)
Incurred losses	45,987	88,165	-	134,152	217,081	101,383	-	318,464
Exchange rate effects	2,383	(4,992)	-	(2,609)	-	(20,745)	-	(20,745)
Paid losses	(55,242)	(70,885)	-	(126,127)	(40,241)	(54,956)	-	(95,197)
Net reserves at period end	725,627	727,015	-	1,452,642	439,962	659,419	-	1,099,381
Losses recoverable	57,608	143,064	(28,571)	172,101	53,591	135,670	(15,798)	173,463
<b>Gross reserves at period end</b>	<b>\$ 783,235</b>	<b>\$ 870,079</b>	<b>\$ (28,571)</b>	<b>\$ 1,624,743</b>	<b>\$ 493,553</b>	<b>\$ 795,089</b>	<b>\$ (15,798)</b>	<b>\$ 1,272,844</b>
Net premiums earned	\$ 199,768	\$ 174,949		\$ 374,717	\$ 181,396	\$ 157,930		\$ 339,326
Current year loss ratio	32.6%	57.7%		44.3%	121.6%	78.5%		101.6%
Prior accident year adjustments	-9.6%	-7.3%		-8.5%	-1.9%	-14.3%		-7.7%
Net loss ratio	<u>23.0%</u>	<u>50.4%</u>		<u>35.8%</u>	<u>119.7%</u>	<u>64.2%</u>		<u>93.9%</u>
Paid to incurred	120.1%	80.4%		94.0%	18.5%	54.2%		29.9%

	At or for the nine months ended							
	At September 30, 2009				At September 30, 2008			
	Validus Re	Talbot	Eliminations	Total	Validus Re	Talbot	Eliminations	Total
Net reserves at period beginning	\$ 451,365	\$ 645,142	\$ -	\$ 1,096,507	\$ 196,814	\$ 594,899	\$ -	\$ 791,713
Net reserves acquired in IPC acquisition	304,957	-	-	304,957				
Incurred losses- current year	166,663	277,403	-	444,066	333,606	297,004	-	630,610
Change in prior accident years	(24,093)	(29,237)	-	(53,330)	(8,933)	(41,099)	-	(50,032)
Incurred losses	142,570	248,166	-	390,736	324,673	255,905	-	580,578
Exchange rate effects	4,967	18,859	-	23,826	-	(21,361)	-	(21,361)
Paid losses	(178,232)	(185,152)	-	(363,384)	(81,525)	(170,024)	-	(251,549)
Net reserves at period end	725,627	727,015	-	1,452,642	439,962	659,419	-	1,099,381
Losses recoverable	57,608	143,064	(28,571)	172,101	53,591	135,670	(15,798)	173,463
<b>Gross reserves at period end</b>	<b>\$ 783,235</b>	<b>\$ 870,079</b>	<b>\$ (28,571)</b>	<b>\$ 1,624,743</b>	<b>\$ 493,553</b>	<b>\$ 795,089</b>	<b>\$ (15,798)</b>	<b>\$ 1,272,844</b>
Net premiums earned	\$ 537,912	\$ 483,764		\$ 1,021,676	\$ 489,163	\$ 451,325		\$ 940,488
Current year loss ratio	31.0%	57.3%		43.4%	68.2%	65.8%		67.0%
Prior accident year adjustments	-4.5%	-6.0%		-5.2%	-1.8%	-9.1%		-5.3%
Net loss ratio	<u>26.5%</u>	<u>51.3%</u>		<u>38.2%</u>	<u>66.4%</u>	<u>56.7%</u>		<u>61.7%</u>
Paid to incurred	125.0%	74.6%		93.0%	25.1%	66.4%		43.3%

**Notes:**

(a) Operating results of IPC have been included from September 4, 2009, the date of acquisition.



**Validus Holdings, Ltd.**

**Losses and Loss Ratios by Classes of Business - Validus Re**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	At or for the three months ended							
	At September 30, 2009				At September 30, 2008			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Net reserves at period beginning	\$ 264,480	\$ 131,300	\$ 31,762	\$ 427,542	\$ 188,674	\$ 47,782	\$ 26,666	\$ 263,122
Net reserves acquired from IPC acquisition	304,957	-	-	304,957				
Incurred losses- current year	39,934	11,568	13,757	65,259	162,948	52,340	5,306	220,594
Change in prior accident years	(33,045)	16,918	(3,145)	(19,272)	(6,283)	4,410	(1,640)	(3,513)
Incurred losses	6,889	28,486	10,612	45,987	156,665	56,750	3,666	217,081
Exchange rate effects	2,348	5	30	2,383	-	-	-	-
Paid losses	(35,298)	(15,719)	(4,225)	(55,242)	(36,255)	(2,423)	(1,563)	(40,241)
Net reserves at period end	543,376	144,072	38,179	725,627	309,084	102,109	28,769	439,962
Losses recoverable	11,730	45,341	537	57,608	7,760	45,831	-	53,591
<b>Gross reserves at period end</b>	<b>\$ 555,106</b>	<b>\$ 189,413</b>	<b>\$ 38,716</b>	<b>\$ 783,235</b>	<b>\$ 316,844</b>	<b>\$ 147,940</b>	<b>\$ 28,769</b>	<b>\$ 493,553</b>
Net premiums earned	\$ 141,547	\$ 35,397	\$ 22,824	\$ 199,768	\$ 132,307	\$ 29,980	\$ 19,109	\$ 181,396
Current year loss ratio	28.2%	32.7%	60.3%	32.6%	123.2%	174.6%	27.8%	121.6%
Prior accident year adjustments	-23.3%	47.8%	-13.8%	-9.6%	-4.8%	14.7%	-8.6%	-1.9%
Net loss ratio	4.9%	80.5%	46.5%	23.0%	118.4%	189.3%	19.2%	119.7%
Paid to incurred	512.4%	55.2%	39.8%	120.1%	23.1%	4.3%	42.6%	18.5%

	At or for the nine months ended							
	At September 30, 2009				At September 30, 2008			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Net reserves at period beginning	\$ 297,627	\$ 119,639	\$ 34,099	\$ 451,365	\$ 140,966	\$ 32,607	\$ 23,241	\$ 196,814
Net reserves acquired from IPC acquisition	304,957	-	-	304,957				
Incurred losses- current year	94,926	45,127	26,610	166,663	245,161	69,897	18,548	333,606
Change in prior accident years	(41,017)	21,870	(4,946)	(24,093)	(14,210)	7,304	(2,027)	(8,933)
Incurred losses	53,909	66,997	21,664	142,570	230,951	77,201	16,521	324,673
Exchange rate effects	4,962	(52)	57	4,967	-	-	-	-
Paid losses	(118,079)	(42,512)	(17,641)	(178,232)	(62,833)	(7,699)	(10,993)	(81,525)
Net reserves at period end	543,376	144,072	38,179	725,627	309,084	102,109	28,769	439,962
Losses recoverable	11,730	45,341	537	57,608	7,760	45,831	-	53,591
<b>Gross reserves at period end</b>	<b>\$ 555,106</b>	<b>\$ 189,413</b>	<b>\$ 38,716</b>	<b>\$ 783,235</b>	<b>\$ 316,844</b>	<b>\$ 147,940</b>	<b>\$ 28,769</b>	<b>\$ 493,553</b>
Net premiums earned	\$ 374,199	\$ 94,384	\$ 69,329	\$ 537,912	\$ 361,027	\$ 75,109	\$ 53,027	\$ 489,163
Current year loss ratio	25.4%	47.8%	38.3%	31.0%	67.9%	93.1%	35.0%	68.2%
Prior accident year adjustments	-11.0%	23.2%	-7.1%	-4.5%	-3.9%	9.7%	-3.8%	-1.8%
Net loss ratio	14.4%	71.0%	31.2%	26.5%	64.0%	102.8%	31.2%	66.4%
Paid to incurred	219.0%	63.5%	81.4%	125.0%	27.2%	10.0%	66.5%	25.1%

**Notes:**

(a) For the Validus Re segment, the Specialty class includes Aerospace, Agriculture, Financial lines of business, Life and A&H, Nuclear, Terrorism and Workers' Compensation.

(b) Operating results of IPC have been included from September 4, 2009, the date of acquisition



**Validus Holdings, Ltd.**

**Losses and Loss Ratios by Classes of Business - Talbot**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	At or for the three months ended							
	At September 30, 2009				At September 30, 2008			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Net reserves at period beginning	\$ 148,846	\$ 336,040	\$ 229,841	\$ 714,727	\$ 135,277	\$ 315,222	\$ 183,238	\$ 633,737
Incurred losses- current year	20,395	46,217	34,307	100,919	45,461	56,251	22,304	124,016
Change in prior accident years	(3,235)	63	(9,582)	(12,754)	(60)	(12,268)	(10,305)	(22,633)
Incurred losses	17,160	46,280	24,725	88,165	45,401	43,983	11,999	101,383
Exchange rate effects	(327)	(2,104)	(2,561)	(4,992)	(3,933)	(9,186)	(7,626)	(20,745)
Paid losses	(14,447)	(31,475)	(24,963)	(70,885)	(20,939)	(23,290)	(10,727)	(54,956)
Net reserves at period end	151,232	348,741	227,042	727,015	155,806	326,729	176,884	659,419
Losses recoverable	22,974	79,473	40,617	143,064	8,018	101,550	26,102	135,670
<b>Gross reserves at period end</b>	<b>\$ 174,206</b>	<b>\$ 428,214</b>	<b>\$ 267,659</b>	<b>\$ 870,079</b>	<b>\$ 163,824</b>	<b>\$ 428,279</b>	<b>\$ 202,986</b>	<b>\$ 795,089</b>
Net premiums earned	\$ 36,369	\$ 78,717	\$ 59,863	\$ 174,949	\$ 32,721	\$ 71,130	\$ 54,079	\$ 157,930
Current year loss ratio	56.1%	58.7%	57.3%	57.7%	139.0%	79.0%	41.3%	78.5%
Prior accident year adjustments	-8.9%	0.1%	-16.0%	-7.3%	-0.2%	-17.2%	-19.1%	-14.3%
Net loss ratio	<u>47.2%</u>	<u>58.8%</u>	<u>41.3%</u>	<u>50.4%</u>	<u>138.8%</u>	<u>61.8%</u>	<u>22.2%</u>	<u>64.2%</u>
Paid to incurred	84.2%	68.0%	101.0%	80.4%	46.1%	53.0%	89.4%	54.2%

	At or for the nine months ended							
	At September 30, 2009				At September 30, 2008			
	Property	Marine	Specialty	Total	Property	Marine	Specialty	Total
Net reserves at period beginning	\$ 161,014	\$ 311,471	\$ 172,657	\$ 645,142	\$ 143,102	\$ 272,734	\$ 179,063	\$ 594,899
Incurred losses- current year	48,478	125,137	103,788	277,403	85,444	135,369	76,191	297,004
Change in prior accident years	(19,535)	(3,741)	(5,961)	(29,237)	(6,566)	(7,101)	(27,432)	(41,099)
Incurred losses	28,943	121,396	97,827	248,166	78,878	128,268	48,759	255,905
Exchange rate effects	3,974	8,608	6,277	18,859	(4,194)	(10,829)	(6,338)	(21,361)
Paid losses	(42,699)	(92,734)	(49,719)	(185,152)	(61,981)	(72,079)	(35,964)	(170,024)
Net reserves at period end	151,232	348,741	227,042	727,015	155,805	318,094	185,520	659,419
Losses recoverable	22,974	79,473	40,617	143,064	8,018	101,550	26,102	135,670
<b>Gross reserves at period end</b>	<b>\$ 174,206</b>	<b>\$ 428,214</b>	<b>\$ 267,659</b>	<b>\$ 870,079</b>	<b>\$ 163,823</b>	<b>\$ 419,644</b>	<b>\$ 211,622</b>	<b>\$ 795,089</b>
Net premiums earned	\$ 97,680	\$ 208,983	\$ 177,101	\$ 483,764	\$ 91,628	\$ 199,001	\$ 160,696	\$ 451,325
Current year loss ratio	49.6%	59.9%	58.6%	57.3%	93.3%	68.0%	47.4%	65.8%
Prior accident year adjustments	-20.0%	-1.8%	-3.4%	-6.0%	-7.2%	-3.5%	-17.1%	-9.1%
Net loss ratio	<u>29.6%</u>	<u>58.1%</u>	<u>55.2%</u>	<u>51.3%</u>	<u>86.1%</u>	<u>64.5%</u>	<u>30.3%</u>	<u>56.7%</u>
Paid to incurred	147.5%	76.4%	50.8%	74.6%	78.6%	56.2%	73.8%	66.4%

**Notes:**

(a) For the Talbot segment, Specialty includes Accident, Health, Aviation, Bloodstock, Contingency, Financial institutions, Political Violence, Political Risk, War and other classes. The Property class includes Onshore Energy.



**Validus Holdings, Ltd.**

**Consolidated Reinsurance Recoverable Analysis**

(Expressed in thousands of U.S. Dollars, except share and per share information)

**Consolidated Reinsurance Recoverable at September 30, 2009**

Categories	Reinsurance		Top 10 Reinsurers	Rating (b)	Reinsurance	
	recoverable (a)	%			recoverable	%
Top 10 reinsurers	\$ 167,265	91.8%	Fully collateralized reinsurers	NR	\$ 55,601	33.1%
Other reinsurers' balances > \$1 million	6,105	3.4%	Hannover Re	AA-	28,711	17.2%
Other reinsurers' balances < \$1 million	8,795	4.8%	Lloyd's Syndicates	A	25,977	15.5%
<b>Total</b>	<u>\$ 182,165</u>	<u>100.0%</u>	Allianz	AA	14,035	8.4%
			Munich Re	AA-	11,742	7.0%
			Swiss Re	A+	11,003	6.6%
			Aspen	A	7,282	4.4%
			Transatlantic Re	A+	5,781	3.5%
			Platinum	A	3,941	2.4%
			Brit	A	3,192	1.9%
			<b>Total</b>		<u>\$ 167,265</u>	<u>100.0%</u>

**Consolidated Reinsurance Recoverable at December 31, 2008**

Categories	Reinsurance		Top 10 Reinsurers	Rating (b)	Reinsurance	
	recoverable (a)	%			recoverable	%
Top 10 reinsurers	\$ 198,403	94.4%	Fully collateralized reinsurers	NR	\$ 83,511	41.9%
Other reinsurers' balances > \$1 million	8,987	4.3%	Hannover Re	AA-	32,855	16.6%
Other reinsurers' balances < \$1 million	2,794	1.3%	Lloyd's Syndicates	A+	25,533	12.9%
<b>Total</b>	<u>\$ 210,184</u>	<u>100.0%</u>	Allianz	AA	14,988	7.6%
			Swiss Re	AA-	13,207	6.7%
			Munich Re	AA-	12,813	6.5%
			Aspen	A	6,040	3.0%
			Platinum Underwriters	A	3,270	1.6%
			Transatlantic Re	A+	3,096	1.6%
			Axa	AA	3,090	1.6%
			<b>Total</b>		<u>\$ 198,403</u>	<u>100.0%</u>

**Notes:**

(a) Reinsurance recoverable includes Loss Reserves Recoverable and Paid Losses Recoverable.

(b) 99.3% of Reinsurance Recoverable at September 30, 2009 were from reinsurers rated A- or better by internationally recognized rating agencies, or, were fully collateralized.



**Validus Holdings, Ltd.**

**Consolidated Investment Portfolio Composition and Net Investment Income**

(Expressed in thousands of U.S. Dollars, except share and per share information)

Investment portfolio	September 30, 2009		December 31, 2008	
	Fair Value	%	Fair Value	%
U.S. Government and Government Agency	\$ 1,182,985	20.7%	\$ 768,344	23.4%
Non-U.S. Government and Government Agency	464,940	8.1%	96,073	2.9%
States, municipalities, political subdivision	8,642	0.2%	15,516	0.5%
Agency residential mortgage-backed securities	645,849	11.3%	433,736	13.2%
Non-Agency residential mortgage-backed securities	162,927	2.9%	231,131	7.0%
U.S. corporate	1,170,782	20.5%	443,847	13.5%
Non-U.S. corporate	827,048	14.5%	125,700	3.8%
Catastrophe bonds	21,368	0.4%	10,872	0.4%
Asset-backed securities	52,381	0.9%	137,023	4.2%
Commercial mortgage-backed securities	53,221	0.9%	192,259	5.9%
Total fixed maturities	4,590,143	80.4%	2,454,501	74.8%
Total short-term investments	594,581	10.4%	377,036	11.5%
Total other investments	129,012	2.3%	-	0.0%
Total investments	5,313,736	93.1%	2,831,537	86.3%
Cash and cash equivalents	393,788	6.9%	449,848	13.7%
<b>Total cash and cash equivalents, and investments</b>	<b>5,707,524</b>	<b>100.0%</b>	<b>3,281,385</b>	<b>100.0%</b>

  

Net investment income	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Fixed maturities and short-term investments	29,427	32,443	82,341	98,654
Cash and cash equivalents	742	4,308	2,623	11,524
Securities lending income	171	261	683	1,150
Gross investment income	30,340	37,012	85,647	111,328
Investment expenses	(808)	(633)	(2,380)	(2,471)
<b>Net investment income</b>	<b>29,532</b>	<b>36,379</b>	<b>83,267</b>	<b>108,857</b>

  

Annualized effective investment yield (a)	2.56%	4.49%	2.78%	4.52%
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**Notes:**

(a) Annualized investment yield is calculated by dividing net investment income by the average balance of the assets managed by our portfolio managers and other investments.

(b) Operating results of IPC have been included from September 4, 2009, the date of acquisition.



Validus Holdings, Ltd.

**Consolidated Fixed Maturity Portfolio Credit Quality and Maturity Profile**

(Expressed in thousands of U.S. Dollars, except share and per share information)

Fixed maturities- Credit Quality	September 30, 2009		December 31, 2008	
	Fair Value	%	Fair Value	%
AAA	\$ 2,831,934	61.7%	\$ 1,941,349	79.1%
AA	578,547	12.6%	146,923	6.0%
A	978,886	21.3%	338,966	13.8%
BBB	71,914	1.6%	12,427	0.5%
Investment grade	<u>4,461,281</u>	<u>97.2%</u>	<u>2,439,665</u>	<u>99.4%</u>
BB	33,907	0.7%	7,416	0.3%
B	42,358	1.0%	7,420	0.3%
CCC	51,045	1.1%	-	0.0%
NR	1,552	0.0%	-	0.0%
Non-Investment grade	<u>128,862</u>	<u>2.8%</u>	<u>14,836</u>	<u>0.6%</u>
<b>Total fixed maturities</b>	<u><u>4,590,143</u></u>	<u><u>100.0%</u></u>	<u><u>2,454,501</u></u>	<u><u>100.0%</u></u>

Fixed maturities- Maturity Profile	September 30, 2009		December 31, 2008	
	Fair Value	%	Fair Value	%
Due in one year or less	323,395	7.0%	279,727	11.4%
Due after one year through five years	2,932,941	63.9%	1,134,275	46.2%
Due after five years through ten years	416,835	9.1%	17,493	0.7%
Due after ten years	2,595	0.1%	28,858	1.2%
	3,675,766	80.1%	1,460,353	59.5%
Asset-backed and mortgage backed securities	914,377	19.9%	994,148	40.5%
<b>Total fixed maturities</b>	<u><u>\$ 4,590,143</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 2,454,501</u></u>	<u><u>100.0%</u></u>

**Notes:**

(a) Ratings used are the lower of Standard and Poors (S&P) and Moody's. When Moody's ratings are used, they are presented in S&P's equivalent rating.





**Validus Holdings, Ltd.**  
**Capitalization**

(Expressed in thousands of U.S. Dollars, except share and per share information)

Capitalization	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Borrowings drawn under credit facility	\$ -	\$ -	\$ -	\$ -	\$ -
Junior Subordinated Deferrable Debentures (JSDs) (a)	304,300	304,300	304,300	304,300	304,300
Total debt	<u>304,300</u>	<u>304,300</u>	<u>304,300</u>	<u>304,300</u>	<u>304,300</u>
Ordinary shares- capital and surplus	3,971,168	2,156,030	2,031,040	1,946,592	1,918,139
Accumulated other comprehensive (loss)	(4,976)	(4,061)	(8,054)	(7,858)	(1,528)
Total shareholders' equity	<u>3,966,192</u>	<u>2,151,969</u>	<u>2,022,986</u>	<u>1,938,734</u>	<u>1,916,611</u>
<b>Total capitalization (b)</b>	<u>\$ 4,270,492</u>	<u>\$ 2,456,269</u>	<u>\$ 2,327,286</u>	<u>\$ 2,243,034</u>	<u>\$ 2,220,911</u>
Debt to total capitalization	7.1%	12.4%	13.1%	13.6%	13.7%
Debt (excluding JSDs) to total capitalization	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

**Notes:**

(a) \$150,000 of 9.069% Junior Subordinated Deferrable Debentures ("9.069% Junior Debentures") were issued on June 15, 2006, mature on June 15, 2036, are redeemable at the Company's option at par beginning June 15, 2011, and require quarterly interest payments at a rate of 9.069% per annum. \$200,000 of 8.480% Junior Subordinated Deferrable Debentures ("8.480% Junior Debentures") were issued on June 21, 2007, mature on June 15, 2037, are redeemable at the Company's option at par beginning June 15, 2012, and require quarterly interest payments at a rate of 8.480% per annum. On April 29, 2008, the Company repurchased from an unaffiliated financial institution \$45,700 principal amount of its 8.480% Junior Debentures at an aggregate price of \$36,560, plus accrued and unpaid interest of \$474. The repurchase resulted in the recognition of a realized gain of \$8,752 for the year ended December 31, 2008.

(b) Total capitalization equals total shareholders' equity plus borrowings drawn under credit facility and Junior Subordinated Deferrable Debentures.



**Validus Holdings, Ltd.**

**Estimated Exposures to Peak Zone Property Catastrophe Losses - As of October 1, 2009**

(Expressed in thousands of U.S. Dollars, except share and per share information)

**Probable Maximum Losses by Zone and Peril**

		<b>Consolidated (Validus Re and Talbot) Estimated Net Loss</b>				<b>Validus Re Net Maximum Zonal Aggregate</b>
		<b>IPC included in Validus Re</b>				
<b>Zones</b>	<b>Perils</b>	<b>20 year return period</b>	<b>50 year return period</b>	<b>100 year return period</b>	<b>250 year return period</b>	
United States	Hurricane	\$ 417,944	\$ 725,426	\$ 955,921	\$ 1,213,960	\$ 2,374,536
California	Earthquake	186,830	359,631	535,372	823,750	2,275,889
Europe	Windstorm	251,176	504,071	727,756	966,766	1,887,157
Japan	Earthquake	49,957	132,649	168,216	239,627	798,631
Japan	Typhoon	102,736	219,043	306,368	400,148	890,698

Net loss estimates are before income tax, net of reinstatement premiums, and net of reinsurance and retrocessional recoveries. The estimates set forth above are based on an Occurrence basis on assumptions that are inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses to differ materially from those expressed above. In particular, modeled loss estimates do not necessarily accurately predict actual losses, and may significantly mis-estimate actual losses. Such estimates, therefore, should not be considered as a representation of actual losses.

The Company has developed the estimates of losses expected from certain catastrophes for its portfolio of property, marine, workers' compensation, and personal accident contracts using commercially available catastrophe models such as RMS, AIR and EQECAT, which are applied and adjusted by the Company. These estimates include assumptions regarding the location, size and magnitude of an event, the frequency of events, the construction type and damageability of property in a zone, policy terms and conditions and the cost of rebuilding property in a zone, among other assumptions. These assumptions will evolve following any actual event. Accordingly, if the estimates and assumptions that are entered into the risk model are incorrect, or if the risk model proves to be an inaccurate forecasting tool, the losses the Company might incur from an actual catastrophe could be materially higher than its expectation of losses generated from modeled catastrophe scenarios. In addition, many risks such as second-event covers, aggregate excess of loss, or attritional loss components cannot be fully evaluated using the vendor models. Further, the Company cannot assure that such third party models are free of defects in the modeling logic or in the software code.

Investors should not rely on the information set forth in this presentation when considering investment in the Company. The information contained in this presentation has not been audited nor has it been subject to independent verification. The estimates set forth above speak only as of the date of this presentation and the Company undertakes no obligation to update or revise such information to reflect the occurrence of future events, including, but not limited to, the composition of the Company's business. The events presented reflect a specific set of proscribed calculations and do not necessarily reflect all events that may impact the Company.



Validus Holdings, Ltd.

**Estimated Exposures to Specified Loss Scenarios - As of July 1, 2009**  
(Expressed in millions of U.S. Dollars, except share and per share information)

**Consolidated (Validus Re and Talbot) Realistic Disaster Scenarios (RDS)**  
Includes IPC as of July 1, 2009

Type	Catastrophe Scenarios	Description	% of latest 12 Months	
			Estimated Consolidated (Validus Re and Talbot) Net Loss	Consolidated Pro Forma Net Premiums Earned
Terrorism	Rockefeller Center	Midtown Manhattan suffers a 2-ton conventional bomb blast	\$ 92.1	5.4%
Terrorism	Exchange Place	Lower Manhattan suffers a 2-ton conventional bomb blast	67.4	4.0%
Marine	Marine collision in Prince William Sound	Fully laden tanker collides with a cruise vessel in Prince William Sound	154.4	9.1%
Marine	Major cruise vessel incident	U.S.-owned cruise vessel sunk or severely damaged	87.9	5.2%
Marine	Loss of major complex	Total loss to all platforms and bridge links of a major oil complex	143.0	8.4%
Aviation	Aviation collision	Collision of two aircraft over a major city	94.4	5.6%
Satellite	Proton flare	Large single or sequence of proton flares results in loss to all satellites in synchronous orbit	21.7	1.3%
Satellite	Generic defect	Undetected defect in a number of operational satellites causing major loss	60.3	3.5%
Liability	Professional lines	Failure or collapse of a major corporation	19.0	1.1%
Liability	Professional lines	UK pensions mis-selling	9.7	0.6%
Political Risks	South East Asia	Chinese economy has a "hard landing" with sharp fall in growth rates; regional contagion	74.8	4.4%
Political Risks	South America	Severe economic crisis in Brazil due to political upheaval; regional contagion	42.2	2.5%
Political Risks	Middle East	U.S. and Iran escalate into military confrontation; regional contagion	41.5	2.4%
Political Risks	Turkey	Severe economic crisis in Turkey due to political upheaval	42.3	2.5%

The Company has presented the Company Realistic Disaster Scenarios for non-natural catastrophe events. Twice yearly, Lloyd's syndicates' including the Company's Talbot Syndicate 1183 are required to provide details of their potential exposures to specific disaster scenarios. Lloyd's makes its updated Realistic Disaster Scenarios (RDS) guidance available to the market annually. The RDS scenario specification document for 2009 can be accessed at the RDS part of the Lloyd's public website ([http://www.lloyds.com/Lloyds\\_Market/Tools\\_and\\_reference/Exposure\\_Management/Realistic\\_Disaster\\_Scenarios/](http://www.lloyds.com/Lloyds_Market/Tools_and_reference/Exposure_Management/Realistic_Disaster_Scenarios/)).

The Consolidated Pro Forma Net Premiums Earned used in the calculation represent the latest 12 months of net premiums earned from October 1, 2008 and are on a pro forma basis, including IPC earned premiums. Modeling catastrophe threat scenarios is a complex exercise involving numerous variables and is inherently subject to significant uncertainties and contingencies. These uncertainties and contingencies can affect actual losses and could cause actual losses incurred by the Company to differ materially from those expressed above. Should an event occur, the modeled outcomes may prove inadequate, possibly materially so. This may occur for a number of reasons including, legal requirements, model deficiency, non-modeled risks or data inaccuracies.

A modeled outcome of net loss from a single event also relies in significant part on the reinsurance and retrocession arrangements in place, or expected to be in place at the time of the analysis, and may change during the year. Modeled outcomes assume that the reinsurance and retrocession in place responds as expected with minimal reinsurance failure or dispute. Reinsurance is purchased to match the original exposure as far as possible, but it is possible for there to be a mismatch or gap in cover which could result in higher than modeled losses to the Company. In addition, many parts of the reinsurance program are purchased with limited reinstatements and, therefore, the number of claims or events which may be recovered from second or subsequent events is limited. It should also be noted that renewal dates of the reinsurance program do not necessarily coincide with those of the inwards business written. Where original business is not protected by risks attaching reinsurance or retrocession programs, the programs could expire resulting in an increase in the possible net loss retained by the Company.

Investors should not rely on the information set forth in this presentation when considering investment in the Company. The information contained in this presentation has not been audited nor has it been subject to independent verification. The estimates set forth above speak only as of the date of this presentation and the Company undertakes no obligation to update or revise such information to reflect the occurrence of future events. The events presented reflect a specific set of proscribed calculations and do not necessarily reflect all events that may impact the Company.



Validus Holdings, Ltd.

**Non-GAAP Financial Measure Reconciliation**

**Net Operating Income, Net Operating Income per share and Annualized Net Operating Return on Average Equity**

(Expressed in millions of U.S. Dollars, except share and per share information)

	Three months ended		Nine months ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Net income (loss)	499,178	(126,300)	731,647	16,096
Adjustments for:				
Gain on bargain purchase, net of expenses	(302,950)	-	(287,099)	-
Realized gain on repurchase of debentures	-	-	-	(8,752)
Net realized (gains) losses on investments	(5,429)	13,667	20,642	8,348
Net unrealized (gains) losses on investments	(50,437)	14,649	(109,839)	72,608
Foreign exchange losses	5,244	44,933	1,012	35,843
Net operating income (loss)	<u>145,606</u>	<u>(53,051)</u>	<u>356,363</u>	<u>124,143</u>
less: Dividends and distributions declared on outstanding warrants	(1,591)	(1,739)	(4,917)	(5,217)
<b>Net operating income (loss), adjusted</b>	<u>\$ 144,015</u>	<u>\$ (54,790)</u>	<u>\$ 351,446</u>	<u>\$ 118,926</u>
<b>Net income (loss) per share - diluted</b>	5.21	(1.71)	8.65	0.14
Adjustments for:				
Gain on bargain purchase, net of expenses	(3.16)	-	(3.39)	-
Realized gain on repurchase of debentures	-	-	-	(0.11)
Net realized (gains) losses on investments	(0.06)	0.18	0.24	0.11
Net unrealized (gains) losses on investments	(0.53)	0.20	(1.30)	0.93
Foreign exchange losses	0.06	0.60	0.01	0.46
<b>Net operating income (loss) per share - diluted</b>	<u>\$ 1.52</u>	<u>\$ (0.73)</u>	<u>\$ 4.21</u>	<u>\$ 1.53</u>
<b>Weighted average number of common shares and common share equivalents - diluted</b>	<u>95,834,809</u>	<u>74,864,724</u>	<u>84,626,505</u>	<u>77,922,718</u>
<b>Average shareholders' equity</b>	<u>3,059,081</u>	<u>1,986,696</u>	<u>2,519,970</u>	<u>1,974,713</u>
<b>Annualized operating return on average equity</b>	<u>19.0%</u>	<u>-10.7%</u>	<u>18.9%</u>	<u>8.4%</u>



**Pro Forma Combined - Validus Holdings Ltd. and IPC Holdings Ltd.  
Selected Financial Information - Third Quarter 2009**

**The following presentation is for informational purposes only**



**Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.**  
**Pro Forma Combined Income Statement - Nine months ended September 30, 2009**  
(Expressed in thousands of U.S. Dollars, except share and per share information)

	Historical Validus Holdings, Ltd.	Historical IPC Holdings, Ltd.	Pro Forma Purchase Adjustments	Pro Forma Consolidated
<b>Underwriting income</b>				
Gross premiums written	\$ 1,365,951	\$ 387,602	\$ (265)	\$ 1,753,288
Reinsurance premiums ceded	(202,489)	(6,794)	265	(209,018)
Net premiums written	1,163,462	380,808	-	1,544,270
Change in unearned premiums	(141,786)	(118,557)	-	(260,343)
<b>Net premiums earned</b>	<u>1,021,676</u>	<u>262,251</u>	<u>-</u>	<u>1,283,927</u>
<b>Underwriting deductions</b>				
Losses and loss expenses	390,736	32,793	-	423,529
Policy acquisition costs	190,125	26,634	-	216,759
General and administrative expenses	125,315	23,942	-	149,257
Share compensation expenses	18,848	6,714	-	25,562
<b>Total underwriting deductions</b>	<u>725,024</u>	<u>90,083</u>	<u>-</u>	<u>815,107</u>
<b>Underwriting income</b>	296,652	172,168	-	468,820
Net investment income	83,267	56,795	(11,624)	128,438
Other income (expense)	2,875	(31)	-	2,844
Finance expenses	(29,732)	(383)	-	(30,115)
<b>Operating income before taxes</b>	353,062	228,549	(11,624)	569,987
Tax benefit	3,301	-	-	3,301
<b>Net operating income</b>	356,363	228,549	(11,624)	573,288
Gain on bargain purchase, net of expenses	287,099	(90,151)	(196,948)	-
Net realized (losses) gains on investments	(20,642)	6,826	-	(13,816)
Net unrealized gains on investments	109,839	104,993	-	214,832
Foreign exchange (losses) gains	(1,012)	4,968	-	3,956
<b>Net income</b>	731,647	255,185	(208,572)	778,260
Warrant dividend	(4,917)	-	-	(4,917)
<b>Net income available to common shareholders</b>	<u>\$ 726,730</u>	<u>\$ 255,185</u>	<u>\$ (208,572)</u>	<u>\$ 773,343</u>
<b>Earnings per share</b>				
Weighted average number of common shares and common share equivalents outstanding				
Basic	81,458,329		49,219,687	130,678,016
Diluted	84,626,505		49,219,687	133,846,192
Basic earnings per common share	\$ 8.92			\$ 5.92
Diluted earnings per common share	\$ 8.65			\$ 5.81
Operating income per share	\$ 4.31			\$ 4.35
Operating income per diluted share	\$ 4.21			\$ 4.28

**Notes:**

(a) Operating results of IPC have been included under Historical Validus Holdings, Ltd. from September 4, 2009, the date of acquisition. Historical IPC Holdings, Ltd. includes operating results for eight months only.



**Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.**

**Pro Forma Combined Income Statement - Three months ended September 30, 2009**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Historical Validus Holdings, Ltd.	Historical IPC Holdings, Ltd.	Pro Forma Purchase Adjustments	Pro Forma Consolidated
<b>Underwriting income</b>				
Gross premiums written	\$ 331,028	\$ 25,443	\$ -	\$ 356,471
Reinsurance premiums ceded	(67,687)	(179)	-	(67,866)
Net premiums written	263,341	25,264	-	288,605
Change in unearned premiums	111,376	42,081	-	153,457
<b>Net premiums earned</b>	<b>374,717</b>	<b>67,345</b>	<b>-</b>	<b>442,062</b>
<b>Underwriting deductions</b>				
Losses and loss expenses	134,152	2,101	-	136,253
Policy acquisition costs	64,236	6,890	-	71,126
General and administrative expenses	46,036	3,880	-	49,916
Share compensation expenses	5,862	1,750	-	7,612
<b>Total underwriting deductions</b>	<b>250,286</b>	<b>14,621</b>	<b>-</b>	<b>264,907</b>
<b>Underwriting income</b>	<b>124,431</b>	<b>52,724</b>	<b>-</b>	<b>177,155</b>
Net investment income	29,532	13,650	(3,731)	39,451
Other income (expense)	1,101	(57)	-	1,044
Finance expenses	(11,257)	-	-	(11,257)
<b>Operating income before taxes</b>	<b>143,807</b>	<b>66,317</b>	<b>(3,731)</b>	<b>206,393</b>
Tax benefit	1,799	-	-	1,799
<b>Net operating income</b>	<b>145,606</b>	<b>66,317</b>	<b>(3,731)</b>	<b>208,192</b>
Gain on bargain purchase, net of expenses	302,950	(69,700)	(233,250)	-
Net realized gains on investments	5,429	5,664	-	11,093
Net unrealized gains on investments	50,437	64,342	-	114,779
Foreign exchange (losses) gains	(5,244)	6,435	-	1,191
<b>Net income</b>	<b>499,178</b>	<b>73,058</b>	<b>(236,981)</b>	<b>335,255</b>
Warrant dividend	(1,591)	-	-	(1,591)
<b>Net income available to common shareholders</b>	<b>\$ 497,587</b>	<b>\$ 73,058</b>	<b>\$ (236,981)</b>	<b>\$ 333,664</b>
<b>Earnings per share</b>				
Weighted average number of common shares and common share equivalents outstanding				
Basic	92,492,373		38,545,538	131,037,911
Diluted	95,834,809		38,545,538	134,380,347
Basic earnings per common share	\$ 5.38			\$ 2.55
Diluted earnings per common share	\$ 5.21			\$ 2.49
Operating income per share	\$ 1.56			\$ 1.58
Operating income per diluted share	\$ 1.52			\$ 1.55

**Notes:**

(a) Operating results of IPC have been included under Historical Validus Holdings, Ltd. from September 4, 2009, the date of acquisition. Historical IPC Holdings, Ltd. includes operating results for eight months only.



**Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.**

**Pro Forma Combined Income Statement - Three months ended June 30, 2009**

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Historical Validus Holdings, Ltd.	Historical IPC Holdings, Ltd.	Pro Forma Purchase Adjustments	Pro Forma Consolidated
<b>Underwriting income</b>				
Gross premiums written	\$ 425,032	\$ 127,549	\$ -	\$ 552,581
Reinsurance premiums ceded	(62,291)	(2,195)	-	(64,486)
Net premiums written	362,741	125,354	-	488,095
Change in unearned premiums	(34,541)	(29,156)	-	(63,697)
<b>Net premiums earned</b>	<b>328,200</b>	<b>96,198</b>	<b>-</b>	<b>424,398</b>
<b>Underwriting deductions</b>				
Losses and loss expenses	124,751	(8,417)	-	116,334
Policy acquisition costs	64,438	9,906	-	74,344
General and administrative expenses	41,200	9,908	-	51,108
Share compensation expenses	5,632	2,475	-	8,107
<b>Total underwriting deductions</b>	<b>236,021</b>	<b>13,872</b>	<b>-</b>	<b>249,893</b>
<b>Underwriting Income</b>	<b>92,179</b>	<b>82,326</b>	<b>-</b>	<b>174,505</b>
Net investment income	26,963	21,279	(3,702)	44,540
Other income	1,017	19	-	1,036
Finance expenses	(10,752)	-	-	(10,752)
<b>Operating income before taxes</b>	<b>109,407</b>	<b>103,624</b>	<b>(3,702)</b>	<b>209,329</b>
Tax benefit	976	-	-	976
<b>Net operating income</b>	<b>110,383</b>	<b>103,624</b>	<b>(3,702)</b>	<b>210,305</b>
Gain on bargain purchase, net of expenses	(15,851)	(8,813)	24,664	-
Net realized (losses) gains on investments	(2,650)	5,080	-	2,430
Net unrealized gains on investments	37,249	72,305	-	109,554
Foreign exchange gains	8,432	1,679	-	10,111
<b>Net income</b>	<b>137,563</b>	<b>173,875</b>	<b>20,962</b>	<b>332,400</b>
Warrant dividend	(1,590)	-	-	(1,590)
<b>Net income available to common shareholders</b>	<b>\$ 135,973</b>	<b>\$ 173,875</b>	<b>\$ 20,962</b>	<b>\$ 330,810</b>
<b>Earnings per share</b>				
Weighted average number of common shares and common share equivalents outstanding				
Basic	76,138,038		54,679,419	130,817,457
Diluted	78,942,065		55,036,063	133,978,128
Basic earnings per common share	\$ 1.79			\$ 2.53
Diluted earnings per common share	\$ 1.74			\$ 2.48
Operating income per share	\$ 1.43			\$ 1.60
Operating income per diluted share	\$ 1.40			\$ 1.57





Pro Forma Combined - Validus Holdings, Ltd. and IPC Holdings Ltd.

Pro Forma Combined Income Statement - Three months ended March 31, 2009

(Expressed in thousands of U.S. Dollars, except share and per share information)

	Historical Validus Holdings, Ltd.	Historical IPC Holdings, Ltd.	Pro Forma Purchase Adjustments	Pro Forma Consolidated
<b>Underwriting income</b>				
Gross premiums written	\$ 609,892	\$ 234,610	\$ (265)	\$ 844,237
Reinsurance premiums ceded	(72,512)	(1,734)	265	(73,981)
Net premiums written	537,380	232,876	-	770,256
Change in unearned premiums	(218,621)	(134,168)	-	(352,789)
<b>Net premiums earned</b>	<u>318,759</u>	<u>98,708</u>	<u>-</u>	<u>417,467</u>
<b>Underwriting deductions</b>				
Losses and loss expenses	131,834	39,109	-	170,943
Policy acquisition costs	61,449	9,838	-	71,287
General and administrative expenses	38,079	10,154	-	48,233
Share compensation expenses	7,354	2,489	-	9,843
<b>Total underwriting deductions</b>	<u>238,716</u>	<u>61,590</u>	<u>-</u>	<u>300,306</u>
<b>Underwriting income</b>	80,043	37,118	-	117,161
Net investment income	26,772	21,866	(4,191)	44,447
Other income	757	7	-	764
Finance expenses	(7,723)	(383)	-	(8,106)
<b>Operating income before taxes</b>	<u>99,849</u>	<u>58,608</u>	<u>(4,191)</u>	<u>154,266</u>
Tax benefit	526	-	-	526
<b>Net operating income</b>	<u>100,375</u>	<u>58,608</u>	<u>(4,191)</u>	<u>154,792</u>
Gain on bargain purchase, net of expenses	-	(11,638)	11,638	-
Net realized losses on investments	(23,421)	(3,918)	-	(27,339)
Net unrealized gains (losses) on investments	22,153	(31,654)	-	(9,501)
Foreign exchange losses	(4,200)	(3,146)	-	(7,346)
<b>Net income</b>	<u>94,907</u>	<u>8,252</u>	<u>7,447</u>	<u>110,606</u>
Warrant dividend	(1,736)	-	-	(1,736)
<b>Net income available to common shareholders</b>	<u>\$ 93,171</u>	<u>\$ 8,252</u>	<u>\$ 7,447</u>	<u>\$ 108,870</u>
<b>Earnings per share</b>				
Weighted average number of common shares and common share equivalents outstanding				
Basic	75,744,577		54,425,368	130,169,945
Diluted	79,102,643		54,959,647	134,062,290
Basic earnings per common share	\$ 1.23			\$ 0.84
Diluted earnings per common share	\$ 1.20			\$ 0.83
Operating income per share	\$ 1.30			\$ 1.18
Operating income per diluted share	\$ 1.27			\$ 1.15