

VALIDUS HOLDINGS LTD

Form 424B2

January 20, 2010

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell and do not seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(2)
Registration No. 333-152856**

Subject to Completion, Dated January 20, 2010

**PRELIMINARY PROSPECTUS SUPPLEMENT
(To prospectus dated August 7, 2008)**

\$

Validus Holdings, Ltd.

% Senior Notes due 2040

We are offering \$ aggregate principal amount of our % senior notes due 2040, which we refer to as the notes. The notes offered hereby will mature on , 2040. Interest on the notes is payable on and of each year, beginning , 2010. The notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

We may redeem the notes in whole at any time, or in part from time to time, at a make-whole redemption price described in this prospectus supplement. We may redeem the notes in whole, but not in part, at any time upon the occurrence of certain tax events as described in this prospectus supplement.

The notes will be our unsecured and unsubordinated obligations and will rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively junior to all our future secured debt, to the extent of the value of the collateral securing such debt, and will rank senior to all our existing and future subordinated debt. The notes will be structurally subordinated to all obligations of our subsidiaries.

See Risk Factors on page S-7 of this prospectus supplement, page 3 of the accompanying prospectus, Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2008 and Part II, Item 1A of our quarterly report on Form 10-Q for the quarter ended June 30, 2009 to read about important factors you should consider before buying the notes.

Neither the U.S. Securities and Exchange Commission (SEC) nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is

truthful or complete. Any representation to the contrary is a criminal offense.

	Public Offering		Underwriting		Proceeds to Us Before Expenses
	Price		Discount		
Per Note		%		%	
Total	\$		\$		\$

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from January , 2010 and must be paid by the underwriters if the notes are delivered after January , 2010.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company (DTC) against payment in New York, New York on or about January , 2010.

Goldman, Sachs & Co.

Deutsche Bank Securities

J.P. Morgan

Prospectus Supplement dated January , 2010.

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You should carefully read this prospectus supplement, the accompanying prospectus and any free writing prospectus filed by us with the SEC. You should rely only on the information contained or incorporated by

reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus filed by us with the SEC. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement, the accompanying prospectus and any free writing prospectus is accurate only as of their respective dates and the information in the documents incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus is accurate only as of the date of those respective documents, regardless of the time of delivery of this prospectus supplement, the accompanying prospectus or free writing prospectus or of any sale of the notes.

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering of notes. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

The distribution of this prospectus supplement, the accompanying prospectus and any free writing prospectus, as well as the offering and sale of the notes, may be restricted by law in certain jurisdictions.

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Validus Holdings, Ltd. and the underwriters require persons into whose possession this prospectus supplement, the accompanying prospectus or any free writing prospectus come to inform themselves about and to observe any such restrictions. This prospectus supplement, the accompanying prospectus and any free writing prospectus do not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or invitation would be unlawful.

As used in this prospectus, references to the Company , we, us or our refer to the consolidated operations of Validus Holdings, Ltd. (Validus) and its direct and indirect subsidiaries unless the context suggests otherwise.

References in this prospectus to dollars and \$ are to the lawful currency of the United States of America, unless otherwise indicated or the context suggests otherwise.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before investing in the notes. You should read carefully this entire prospectus supplement, the accompanying prospectus, any free writing prospectus and the information incorporated by reference herein and therein.

Validus Holdings, Ltd.

We are a provider of reinsurance and insurance, conducting our operations worldwide through two wholly owned subsidiaries, Validus Reinsurance, Ltd. ("Validus Re") and Talbot Holdings Ltd. ("Talbot"). Validus Re is a Bermuda-based reinsurer focused on short-tail lines of reinsurance. Talbot is the Bermuda parent of a specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183.

We seek to establish ourselves as a leader in the global insurance and reinsurance markets. Our principal operating objective is to use our capital efficiently by underwriting primarily short-tail insurance and reinsurance contracts with superior risk and return characteristics. Our primary underwriting objective is to construct a portfolio of short-tail insurance and reinsurance contracts which maximize our return on equity subject to prudent risk constraints on the amount of capital we expose to any single extreme event. We manage our risks through a variety of means, including contract terms, portfolio selection, diversification criteria, including geographic diversification criteria, and proprietary and commercially available third-party vendor models. We have assembled a senior management team with substantial industry expertise and longstanding industry relationships. We are well positioned to take advantage of current market conditions; we have also built our operations so that we may effectively take advantage of future market conditions as they develop.

You can also obtain additional information about us in the reports and other documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Incorporation of Certain Documents by Reference" in this prospectus supplement and "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference" in the accompanying prospectus.

Our principal executive offices are located at 29 Richmond Road, Pembroke, Bermuda HM 08, and our telephone number is (441) 278-9000.

Issuer	Validus Holdings, Ltd.
Notes	\$ aggregate principal amount of % senior notes due , 2040.
Maturity	, 2040.
Interest Payment Dates	and of each year, commencing on , 2010.
Ranking	<p>The notes will be our unsecured and unsubordinated obligations and will rank equally in right of payment with all our existing and future unsecured and unsubordinated indebtedness. The notes will be effectively junior to all our future secured debt, to the extent of the value of the collateral securing such debt, and will rank senior to all our existing and future subordinated debt.</p> <p>As of September 30, 2009, on a pro forma basis after giving effect to this offering, the aggregate amount of our outstanding consolidated indebtedness for money borrowed was approximately \$ million, including \$304.3 million outstanding under our two series of junior subordinated deferrable debentures. The notes will be structurally subordinated to all obligations of our subsidiaries. As of September 30, 2009, the aggregate amount of indebtedness for money borrowed of our subsidiaries was nil.</p>
Optional Redemption	We may redeem the notes, in whole at any time, or in part from time to time, at our option on not less than 30 nor more than 60 days' notice, at a make-whole redemption price described in "Description of the Notes—Optional Redemption" in this prospectus supplement.
Redemption for Tax Purposes	We may redeem the notes, in whole, but not in part, at any time upon the occurrence of certain tax events as described in "Description of the Notes—Redemption for Tax Purposes" in this prospectus supplement.
Covenants	The indenture governing the notes contains a covenant, which will apply to the notes, that limits our ability to create liens on the capital stock of certain of our subsidiaries. This covenant is subject to a number of important qualifications and limitations. See "Description of the Notes—Limitation on Liens on Stock of Subsidiaries" in this prospectus supplement.
Events of Default	Events of default generally include failure to pay interest or any additional amounts with respect thereto, failure to pay principal or any premium, or any additional amounts with respect thereto, failure to file with the trustee reports required by Section 13 or Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), failure to perform, or breach, any other covenant or warranty in the indenture, or certain events relating to bankruptcy, insolvency, or reorganization and are subject to

customary notice requirements and grace periods. See Description of the
Notes Events of Default.

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Trustee, Registrar, Principal Paying and Transfer Agent	The Bank of New York Mellon.
Form of the Notes; Governing Law	When issued, the notes will be issued as global notes in registered form and governed by the laws of the State of New York.
Use of Proceeds	We intend to use the net proceeds from this offering for general corporate purposes, which may include the repurchase of our outstanding capital stock, dividends to our shareholders and/or potential acquisitions. We currently have no agreements or letters of intent to make any acquisitions. See Use of Proceeds in this prospectus supplement.
Listing	The notes will not be listed on any securities exchange. Currently there is no public market for the notes.
Conflicts of Interest	Goldman, Sachs & Co. is deemed to have a conflict of interest in this offering within the meaning of NASD Conduct Rule 2720 of FINRA (Rule 2720) because affiliates of Goldman, Sachs & Co. currently in the aggregate beneficially own a 10% or more interest in Validus. Any underwriter with a conflict of interest is not permitted to sell the notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder. See Underwriting Conflicts of Interest; FINRA Regulations .

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The below summary historical financial data of Validus has been derived from our quarterly report on Form 10-Q for the quarter ended September 30, 2009 (the "Validus 10-Q") and our annual report on Form 10-K for the year ended December 31, 2008 (the "Validus 10-K"), which are incorporated by reference into this prospectus supplement. You should not take historical results as necessarily indicative of the results that may be expected for any future period. This financial data should be read in conjunction with the financial statements and the related notes and other financial information contained in the Validus 10-Q and the Validus 10-K. You should read the more comprehensive financial information, including Management's Discussion and Analysis of Financial Condition and Results of Operations, which is contained in the Validus 10-Q and Validus 10-K. The following summary is qualified in its entirety by reference to the Validus 10-Q and Validus 10-K and all of the financial information and notes contained therein. Please see the section of this prospectus supplement entitled "Incorporation of Certain Documents by Reference."

	Nine Months Ended September 30, 2009 2008		Year Ended December 31, 2008 2007 2006		
	(Dollars in thousands, except share and per share amounts)				
Revenues					
Gross premiums written	\$ 1,365,951	\$ 1,170,749	\$ 1,362,484	\$ 988,637	\$ 540,789
Reinsurance premiums ceded	(202,489)	(121,438)	(124,160)	(70,210)	(63,696)
Net premiums written	1,163,462	1,049,311	1,238,324	918,427	477,093
Change in unearned premiums	(141,786)	(108,823)	18,194	(60,348)	(170,579)
Net premiums earned	1,021,676	940,488	1,256,518	858,079	306,514
Gain on bargain purchase, net of expenses	287,099				
Net investment income	83,267	108,857	139,528	112,324	58,021
Realized gain on repurchase of debentures		8,752	8,752		
Net realized gains (losses) on investments	(20,642)	(8,348)	(1,591)	1,608	(1,102)
Net unrealized gains (losses) on investments(1)	109,839	(72,608)	(79,707)	12,364	
Other income	2,875	3,666	5,264	3,301	
Foreign exchange gains (losses)	(1,012)	(35,843)	(49,397)	6,696	2,157
Total revenues	1,483,102	944,964	1,279,367	994,372	365,590
Expenses					
Losses and loss expenses	390,736	580,578	772,154	283,993	91,323
Policy acquisition costs	190,125	173,545	234,951	134,277	36,072
General and administrative expenses(2)	125,315	101,139	123,948	100,765	38,354
Share compensation expenses	18,848	19,818	27,097	16,189	7,878
Finance expenses	29,732	48,796	57,318	51,754	8,789
Fair value of warrants issued				2,893	77
Total expenses	754,756	923,876	1,215,468	589,871	182,493

Net income before taxes	728,346	21,088	63,899	404,501	183,097
Income tax expense	3,301	(4,992)	(10,788)	(1,505)	
Net income	731,647	16,096	53,111	402,996	183,097
Comprehensive income					
Unrealized gains arising during the period(1)					(332)
Foreign currency translation adjustments	2,882	(1,479)	(7,809)	(49)	
Adjustment for reclassification of losses realized in income					1,102
Comprehensive income	\$ 734,529	\$ 14,617	\$ 45,302	\$ 402,947	\$ 183,867

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	Nine Months Ended September 30,		Year Ended December 31,			
	2009	2008	2008	2007	2006	
(Dollars in thousands, except share and per share amounts)						
Earnings per share(3)						
Weighted average number of common shares and common share equivalents outstanding						
Basic	81,458,329	74,435,840	74,677,903	65,068,093	58,477,130	
Diluted	84,626,505	77,922,718	75,819,413	67,786,673	58,874,567	
Basic earnings per share	\$ 8.92	\$ 0.15	\$ 0.62	\$ 6.19	\$ 3.13	
Diluted earnings per share	\$ 8.65	\$ 0.14	\$ 0.61	\$ 5.95	\$ 3.11	
Cash dividends per share	\$ 0.60	\$ 0.60	\$ 0.80	\$	\$	
Selected financial ratios						
Losses and loss expenses ratio(4)	38.2%	61.7%	61.5%	33.1%	29.8%	
Policy acquisition cost ratio(5)	18.6%	18.5%	18.7%	15.6%	11.8%	
General and administrative expense ratio(6)	14.1%	12.9%	12.0%	13.3.%	15.1%	
Expense ratio(7)	32.7%	31.4%	30.7%	28.9%	26.9%	
Combined ratio(8)	70.9%	93.1%	92.2%	62.0%	56.7%	
Return on average equity(9)	38.7%	1.1%	2.7%	26.9%	17.0%	

The following table sets forth summarized balance sheet data as of September 30, 2009, both actual and as adjusted to give effect to the issuance of notes in this offering, and as of December 31, 2008, 2007 and 2006:

	Actual, As of September 30, 2009	As Adjusted, As of September 30, 2009(10)	2008	As of December 31, 2007	2006
	(Dollars in thousands, except share and per share amounts)				
Summary Balance Sheet Data:					
Investments at fair value	\$ 5,313,736	\$ 5,313,736	\$ 2,831,537	\$ 2,662,021	\$ 1,376,387
Cash and cash equivalents	393,788				