

VALIDUS HOLDINGS LTD

Form PRER14A

May 11, 2009

**Table of Contents**

**PRELIMINARY PROXY STATEMENT DATED MAY 11, 2009 SUBJECT TO COMPLETION**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. 2)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**VALIDUS HOLDINGS, LTD.  
(Name of Registrant as Specified in Its Charter)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
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(1) Amount previously paid:

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(3) Filing party:

(4) Date filed:

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**Table of Contents**

**PRELIMINARY PROXY STATEMENT DATED MAY 11, 2009 SUBJECT TO COMPLETION**

**19 Par-La-Ville Road  
Hamilton HM11  
Bermuda**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE , 2009**

May , 2009

Notice is hereby given that a Special Meeting of Shareholders of Validus Holdings, Ltd. will be held at 19 Par-La-Ville Road, Hamilton HM11, Bermuda, on June , 2009, at , Atlantic Time, for the following purposes:

to approve the issuance of Validus voting common shares, par value \$0.175 per share, in connection with the acquisition of all of the outstanding common shares, par value \$0.01 per share, of IPC Holdings, Ltd. pursuant to the Validus Amalgamation Agreement (as defined in the proxy statement on the following pages), the Scheme of Arrangement (as defined in the proxy statement on the following pages), the Exchange Offer (as defined in the proxy statement on the following pages) or otherwise; and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

For further information concerning matters to be acted upon at the Validus special meeting, you are urged to read the proxy statement on the following pages.

If you are a shareholder of record, please sign, date and return the enclosed proxy in the return envelope furnished for that purpose, as promptly as possible, whether or not you plan to attend the meeting, or follow the instructions on the Validus proxy card to complete your proxy card on the Internet at the website indicated or by telephone. If you own your shares through a bank, broker, or other nominee, you will receive instructions from that institution on how to instruct them to vote your shares, including by completing a voting instruction form, or providing instructions by Internet or telephone. If you do not receive such instructions, you may contact that institution to request them. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached proxy statement. Only shareholders of record as shown on the transfer books of Validus at the close of business on , 2009 will be entitled to notice of, and to vote at, the Validus special meeting or any adjournments thereof. See *The Validus Special Meeting* beginning on page 94 in the proxy statement for more information.

By Order of the Board of Directors,

Lorraine Dean  
Secretary

**Table of Contents**

**PRELIMINARY PROXY STATEMENT DATED MAY 11, 2009**

**19 Par-La-Ville Road  
Hamilton HM11  
Bermuda**

**SPECIAL MEETING OF SHAREHOLDERS  
PROXY STATEMENT**

This proxy statement is furnished to the holders of Validus voting common shares, \$0.175 par value per share (the Validus Shares) and, together with any non-voting common shares, \$0.175 par value per share, the common shares) in connection with the solicitation of proxies by the board of directors of Validus Holdings, Ltd. ( Validus ) to be voted at a special meeting of shareholders (the Validus special meeting) on , 2009, at , Atlantic time, at the registered office of Validus, located at 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

Validus shareholders will be asked at the Validus special meeting:

to approve the issuance of Validus Shares (the Share Issuance) in connection with the acquisition (the Acquisition) of all of the outstanding common shares, par value \$0.01 per share (the IPC Shares) of IPC Holdings, Ltd. ( IPC ), pursuant to the Amalgamation Agreement (as defined below), the Scheme of Arrangement (as defined below), the Exchange Offer (as defined below) or otherwise (the Share Issuance Proposal); and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal (an Adjournment Proposal).

On March 1, 2009, IPC entered into an Agreement and Plan of Amalgamation, as amended on March 5, 2009, among Max Capital Group Ltd. ( Max ), IPC and IPC Limited (the Max Amalgamation Agreement) which would result in the amalgamation of Max with IPC Limited, a wholly-owned subsidiary of IPC that was formed for the purpose of the amalgamation (the Proposed Max Amalgamation).

On March 31, 2009, Validus announced that it had delivered to IPC an offer (the Validus Amalgamation Offer, ) to acquire each outstanding IPC Share in exchange for 1.2037 Validus Shares. In connection with the Validus Amalgamation Offer, Validus also delivered a copy of the proposed agreement and plan of amalgamation (the Validus Amalgamation Agreement) signed by Validus so that, upon termination of the Max Amalgamation Agreement, IPC would be able to sign the Validus Amalgamation Agreement with the certainty of an agreed transaction. As described in this proxy statement under *The Acquisition Background of the Acquisition*, the board of directors of IPC has determined that the Validus Amalgamation Offer does not constitute a superior proposal to the Proposed Max Amalgamation and Max has not released IPC from the prohibition in the Max Amalgamation Agreement that prevents IPC from even discussing the Validus Amalgamation Offer with Validus. Therefore, in order to consummate the Acquisition without the cooperation of IPC's board of directors, Validus is pursuing a three-part plan.

First, Validus is asking IPC shareholders to vote against the Proposed Max Amalgamation. If the Proposed Max Amalgamation is voted down by IPC shareholders, IPC would be able to terminate the Max Amalgamation Agreement and accept the Validus Amalgamation Offer.

Second, Validus intends to commence in the near future an exchange offer (the Exchange Offer ) for all of the outstanding IPC Shares. The Exchange Offer would allow Validus to complete the Acquisition of IPC shortly following the IPC annual general meeting, if the IPC shareholders vote down the Proposed Max Amalgamation and the other conditions to the Exchange Offer are satisfied. Under the terms of the Exchange Offer, IPC shareholders would receive 1.2037 Validus Shares for each IPC Share. The Exchange Offer will be subject to certain conditions described in the prospectus /offer to exchange included in the Registration Statement on Form S-4 (the Offer to Exchange ) filed by Validus with the SEC, including the tender of at least 90% of the total outstanding IPC Shares (on a fully diluted basis), termination of the Max Amalgamation Agreement, and the consent of Validus lenders. Under Bermuda law, if Validus acquires 90% or more of IPC

**Table of Contents**

Shares in the Exchange Offer, Validus will have the right to acquire the remaining IPC Shares in a second-step acquisition under Bermuda law. The Exchange Offer will not be conditioned on regulatory approvals or the elimination of the possible termination fee to Max.

Third, Validus intends to petition the Supreme Court of Bermuda to approve a scheme of arrangement (the Scheme of Arrangement) under which Validus would acquire all IPC Shares under the same economic terms as in the Validus Amalgamation Offer. The Scheme of Arrangement can be accomplished without the approval of IPC's board of directors if approved by IPC shareholders at two shareholder meetings and sanctioned by the Supreme Court of Bermuda. The first shareholder meeting is a court-ordered meeting (the court-ordered IPC meeting) at which IPC shareholders can vote to approve the Scheme of Arrangement. In addition, if IPC's board of directors continues to be uncooperative despite shareholder approval at the court-ordered IPC meeting, IPC shareholders can call a second meeting (the IPC special general meeting) at which IPC shareholders can require IPC to approve and be bound by the Scheme of Arrangement and to terminate the Max Amalgamation Agreement. Following IPC shareholder approval at both of these meetings, and approval by the Supreme Court of Bermuda, the Scheme of Arrangement would become effective and IPC would become a subsidiary of Validus. The Scheme of Arrangement would be approved with the vote of a majority in number of the holders of IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy, representing 75% or more in value of the IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy. The required vote at the second meeting is an affirmative vote of the holders of a majority of IPC Shares voting at the meeting.

Validus is soliciting proxies from holders of Validus Shares at the Validus special meeting in order to be able to issue the Validus Shares to IPC shareholders in connection with the Acquisition. The Share Issuance will become effective only if it is approved by Validus shareholders and the IPC Shares are exchanged for Validus Shares, pursuant to the Acquisition. The affirmative vote of a majority of the votes cast at the Validus special meeting at which a quorum is present in accordance with Validus' by-laws is required to approve each matter to be acted on at the Validus special meeting, including the Adjournment Proposal.

The Validus Amalgamation Offer, the Exchange Offer and the Scheme of Arrangement are alternative methods for Validus to acquire all of the issued and outstanding IPC Shares on the same economic terms. Ultimately, only one of these transaction structures can be pursued to completion. Validus intends to seek to acquire all IPC Shares by whichever method Validus determines is most effective and efficient.

Assuming closing of the Acquisition, based on Validus' and IPC's capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own approximately 43% of the issued and outstanding common shares of Validus on a fully-diluted basis.

Shareholders of record as of the close of business on \_\_\_\_\_, 2009 will be entitled to vote at the Validus special meeting. As of March 13, 2009, there were 58,849,289 outstanding Validus Shares entitled to vote at the Validus special meeting, and 19,771,422 Validus non-voting common shares. Each Validus Share entitles the holder of record thereof to one vote at the Validus special meeting; however, if, and for so long as, the Validus Shares of a shareholder, including any votes conferred by controlled shares (as defined below), would otherwise represent more than 9.09% of the aggregate voting power of all Validus Shares entitled to vote on a matter, the votes conferred by such Validus Shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by Validus' by-laws), the votes conferred by such Validus Shares represent 9.09% of the aggregate voting power of all Validus Shares entitled to vote on such matter. Controlled shares include, among other things, all shares that a person is deemed to own directly, indirectly or constructively (within the meaning of Section 958 of the Internal Revenue Code of 1986 or Section 13(d)(3) of the Securities Exchange Act of 1934, as amended).

Validus knows of no specific matter to be brought before the Validus special meeting that is not referred to in the notice of the Validus special meeting. If any such matter comes before the Validus special meeting, including any shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

Validus common shares are quoted on the New York Stock Exchange (the NYSE ) under the symbol VR. The closing price of a Validus common share on the NYSE on May 7, 2009, the last practicable date prior to the filing of this proxy statement, was \$22.90. IPC



**Table of Contents**

Shares, which are currently quoted on the NASDAQ Global Select Market ( NASDAQ ) under the symbol IPCR and the Bermuda Stock Exchange under the symbol IPCR BH, would be delisted upon completion of the Acquisition.

The closing price of an IPC Share on NASDAQ on May 7, 2009, the last practicable date prior to the filing of this proxy statement, was \$25.43. All references to dollars and \$ in this proxy statement refer to U.S. dollars.

**Validus board of directors has unanimously adopted the Validus Amalgamation Agreement and authorized and approved the Share Issuance and deems it fair, advisable and in the best interests of Validus and its shareholders to consummate the Share Issuance, the Acquisition and the other transactions contemplated thereby. Validus board of directors recommends that Validus shareholders vote FOR the proposals submitted to Validus shareholders on the attached Validus proxy card. All of the officers and those directors and shareholders who are qualified sponsors (as defined in this proxy statement) and who own Validus Shares have indicated that they intend to vote the Validus Shares owned by them in favor of the Validus Share Issuance Proposal and the Adjournment Proposal. As of March 13, 2009, these persons and entities beneficially owned 42.4% of the voting interests relating to the Validus Shares. All of our officers, directors and qualified sponsors together own 57.4% of the economic interests relating to all outstanding common shares of Validus.**

This proxy statement provides Validus shareholders with detailed information about the Validus special meeting and the Acquisition. You can also obtain information from publicly available documents filed by Validus and IPC with the SEC. **Validus encourages you to read this entire document carefully, including the section entitled *Risk Factors* beginning on page 42.**

Your vote is very important. Whether or not you plan to attend the Validus special meeting, please take time to vote by completing and mailing your enclosed proxy card or by following the voting instructions provided to you if you own your shares through a bank, broker or other nominee. If you do not receive such instructions, you may request them from that firm.

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Share Issuance, passed upon the merits or fairness of the Share Issuance or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.**

**This proxy statement is dated May , 2009  
and is first being mailed to Validus shareholders on or about , 2009**

**Important Notice Regarding the Availability of Proxy Materials for the Validus  
Special Meeting to be Held on June , 2009**

The proxy statement and the related proxy materials are available free of charge on Validus website at  
[www.validusre.bm](http://www.validusre.bm).

**Table of Contents**

**SOURCES OF ADDITIONAL INFORMATION**

This proxy statement includes information, including important business and financial information, also set forth in documents filed by Validus and IPC with the SEC, and those documents include information about Validus and IPC that is not included in or delivered with this proxy statement. You can obtain any of the documents filed by Validus or IPC, as the case may be, with the SEC from the SEC or, without charge, from the SEC's website at <http://www.sec.gov>. Validus shareholders also may obtain documents filed by Validus with the SEC or documents incorporated by reference in this proxy statement free of cost, by directing a written or oral request to Validus at:

Validus Holdings, Ltd.  
19 Par-La-Ville Road  
Hamilton HM11  
Bermuda  
Attention: Jon Levenson  
(441) 278-9000

**If you would like to request documents, in order to ensure timely delivery, you must do so at least ten business days before the date of the meeting. This means you must request this information no later than , 2009.** Validus will mail properly requested documents to requesting shareholders by first class mail, or another equally prompt means, within one business day after receipt of such request.

The information concerning IPC, its business, management and operations presented or incorporated by reference in this proxy statement has been taken from, or is based upon, publicly available information on file with the SEC and other publicly available information. Although Validus has no knowledge that would indicate that statements and information relating to IPC contained or incorporated by reference in this proxy statement, in reliance upon publicly available information, are inaccurate or incomplete, to date it has not had access to the full books and records of IPC, was not involved in the preparation of such information and statements and is not in a position to verify any such information or statements.

The consolidated financial statements of IPC appearing in its annual report on Form 10-K for the year ended December 31, 2008 (including schedules appearing therein), and IPC management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 included therein, have been audited by an independent registered public accounting firm, as set forth in their reports thereon, included therein, and included and/or incorporated herein by reference. Validus has not obtained the authorization of IPC's independent auditors to incorporate by reference the audit reports relating to this information.

Pursuant to Rule 12b-21 under the Securities Exchange Act of 1934, as amended (the Exchange Act), Validus requested that IPC provide Validus with information required for complete disclosure regarding the businesses, operations, financial condition and management of IPC. Validus will amend or supplement this proxy statement to provide any and all information Validus receives from IPC, if Validus receives the information before the Validus special meeting and Validus considers it to be material, reliable and appropriate.

See *Where You Can Find More Information* on page 104.

**Table of Contents**

**TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <u>QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE MEETING SUMMARY</u>                   | 9           |
| <u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VALIDUS</u>                            | 16          |
| <u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF IPC</u>                                | 24          |
| <u>UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION</u>                      | 28          |
| <u>COMPARATIVE PER SHARE DATA</u>  | 28          |
| <u>COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION</u>                                     | 39          |
| <u>FORWARD-LOOKING STATEMENTS</u>  | 40          |
| <u>RISK FACTORS</u>  | 40          |
| <u>Risks Related to the Validus Amalgamation Offer</u>                                       | 42          |
| <u>Risks Related to the Acquisition</u>  | 42          |
| <u>Risks Related to Validus Following the Acquisition</u>                                    | 42          |
| <u>Risk Related to IPC's Businesses</u>  | 43          |
| <u>Risk Related to Validus' Businesses</u>   | 45          |
| <u>THE ACQUISITION</u>   | 45          |
| <u>General Description</u>   | 45          |
| <u>Background of the Acquisition</u>   | 45          |
| <u>Reasons Why Validus' Board of Directors Recommends Approval of the Share Issuance</u>     | 47          |
| <u>Litigation</u>  | 67          |
| <u>Opinion of Validus' Financial Advisor</u>   | 69          |
| <u>Interests of Validus Directors and Executive Officers in the Acquisition</u>              | 70          |
| <u>Validus Shareholder Approval of Share Issuance</u>  | 77          |
| <u>Listing of Validus Shares</u>   | 78          |
| <u>Dividends and Distributions</u>   | 78          |
| <u>Anticipated Accounting Treatment</u>  | 78          |
| <u>Sources of Funds, Fees and Expenses</u>   | 79          |
| <u>THE AMALGAMATION AGREEMENT</u>  | 79          |
| <u>Structure of the Amalgamation</u>   | 80          |
| <u>Closing; Completion of the Amalgamation</u>   | 80          |
| <u>Amalgamation Consideration</u>  | 80          |
| <u>Treatment of IPC Share Options and Other IPC Equity Awards</u>                            | 81          |
| <u>Representations and Warranties of the Parties in the Amalgamation Agreement</u>           | 81          |
| <u>Conduct of Business Pending the Closing of the Amalgamation</u>                           | 83          |
| <u>Existing Credit Facilities</u>  | 85          |
| <u>Access to Information; Confidentiality</u>  | 85          |
| <u>Agreements to Use Commercially Reasonable Efforts</u>                                     | 85          |
| <u>Restrictions on Change in Recommendation by the Boards of Directors of IPC or Validus</u> | 86          |
| <u>Restrictions on Solicitation of Acquisition Proposals by IPC</u>                          | 86          |
| <u>Expenses</u>  | 87          |
| <u>Directors' and Officers' Insurance and Indemnification</u>                                | 88          |
| <u>Employee Benefits</u>   | 88          |
| <u>NYSE Listing and NASDAQ Delisting; Reservation for Issuance</u>                           | 88          |
| <u>Dividends</u>   | 88          |



**Table of Contents**

|   | <b>Page</b> |
|---|-------------|
| <u>Book Value Calculations</u>  | 89          |
| <u>Conditions to the Amalgamation</u>   | 89          |
| <u>Termination of the Amalgamation Agreement</u>  | 90          |
| <u>Amendments and Waivers Under the Validus Amalgamation Agreement</u>                                    | 91          |
| <u>REGULATORY MATTERS</u>   | 92          |
| <u>INFORMATION ABOUT VALIDUS AND IPC</u>  | 93          |
| <u>Validus</u>  | 93          |
| <u>IPC</u>  | 93          |
| <u>THE VALIDUS SPECIAL MEETING</u>  | 94          |
| <u>PROPOSALS TO BE SUBMITTED TO VALIDUS SHAREHOLDERS VOTE; VOTING REQUIREMENTS AND RECOMMENDATIONS</u>    | 97          |
| <u>Proposal 1: Share Issuance</u>   | 97          |
| <u>Proposal 2: Adjournment Proposal</u>   | 98          |
| <u>BENEFICIAL OWNERSHIP OF VALIDUS COMMON SHARES</u>  | 99          |
| <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>   | 102         |
| <u>Validus and IPC</u>  | 104         |
| <u>Validus</u>  | 104         |
| <u>SOLICITATION OF PROXIES</u>  | 104         |
| <u>OTHER MATTERS</u>  | 104         |
| <u>SHAREHOLDER PROPOSALS FOR VALIDUS 2010 ANNUAL GENERAL MEETING</u>                                      | 104         |
| <u>WHERE YOU CAN FIND MORE INFORMATION</u>  | 104         |
| <u>SCHEDULE I INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS OF VALIDUS WHO ARE PARTICIPANTS</u> | 107         |
| ANNEX A: AGREEMENT AND PLAN OF AMALGAMATION   |             |
| ANNEX B: OPINION OF VALIDUS FINANCIAL ADVISOR ADDRESSED TO VALIDUS BOARD OF DIRECTORS                     |             |

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE MEETING**

*The following questions and answers highlight selected information from this proxy statement and may not contain all the information that is important to you. Validus encourages you to read this entire document carefully.*

*Q: When and where is the Validus special meeting?*

A: The Validus special meeting will take place at \_\_\_\_\_, Atlantic Time, on June \_\_\_\_\_, 2009, at 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

*Q: What is the purpose of the Validus special meeting?*

A: The purpose of the meeting is to seek Validus shareholder approval of:

the Share Issuance in connection with the Acquisition of all of the outstanding IPC Shares pursuant to the Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise; and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

Even if shareholders approve the Share Issuance, the Share Issuance will take effect only if and when the IPC Shares are exchanged for Validus Shares pursuant to the Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise.

*Q: Why is shareholder approval of the Share Issuance required?*

A: Based upon publicly available information about the number of IPC Shares outstanding and the proposed exchange ratio, Validus expects it would need to issue 67,338,947 Validus Shares in exchange for all outstanding IPC Shares. This number of Validus Shares will be greater than 20% of the total number of Validus Shares outstanding prior to such issuance. The listing requirements of the NYSE require that Validus shareholders approve any issuance of Validus Shares or securities convertible into or exercisable for Validus Shares if (a) the Validus Shares or other securities being issued will have voting power equal to or in excess of 20% of the voting power outstanding before such issuance or (b) the number of Validus Shares to be issued is or will be equal to or in excess of 20% of the number of Validus Shares or other securities before such issuance.

**If the Share Issuance Proposal is approved by Validus shareholders, Validus will be permitted to issue Validus Shares in exchange for IPC Shares, pursuant to the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise. Shareholders are not being asked to vote on the Acquisition and no vote of Validus shareholders is required on such matter.**

*Q: What would happen in the amalgamation?*

A: If the amalgamation is consummated, IPC would amalgamate with Validus Ltd., a direct wholly owned subsidiary of Validus, upon the terms and subject to the conditions set forth in the Validus Amalgamation Agreement. IPC shareholders (including the shareholders that do not vote in favor of the amalgamation but excluding Validus and its subsidiaries) would have the right to receive 1.2037 Validus Shares and cash in lieu of fractional shares in exchange for each IPC Share they hold, unless they exercise appraisal rights pursuant to Bermuda law. Upon the closing of the

amalgamation, the separate corporate existence of Validus Ltd. and IPC would cease and they would continue as an amalgamated company and subsidiary of Validus (the amalgamated company ) and the name of the amalgamated company would be Validus Ltd.

**Table of Contents**

*Q: Why is Validus proposing the Acquisition?*

A: Based on a number of factors described below under *The Acquisition Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance*, Validus board of directors believes that the Acquisition represents a compelling combination and excellent strategic fit that will enable Validus to capitalize on opportunities in the global reinsurance market. The Acquisition would allow IPC shareholders to benefit from the superior growth potential of Validus, which would be a leading carrier in Bermuda's short-tail reinsurance and insurance markets following the Acquisition, with a strong balance sheet and quality diversification in profitable business lines.

*Q: When do you expect the Acquisition to be completed?*

A: If IPC's board of directors was to enter into the Validus Amalgamation Agreement following the termination of the Max Amalgamation Agreement, Validus believes the amalgamation could be completed in mid-to-late July.

Validus believes that if the conditions of the Exchange Offer are satisfied, it would be able to acquire IPC Shares under the Exchange Offer in June based on the following. If the Exchange Offer is commenced as late as May 15 and held open for 20 business days, it would expire on June 15, 2009. If the conditions to the Exchange Offer are satisfied, Validus will acquire at least 90% of the then-outstanding number of IPC Shares on a fully-diluted basis (excluding any IPC Shares beneficially owned by Validus or its subsidiaries).

Validus believes that, under the Scheme of Arrangement, it would be able to close the Acquisition of IPC as early as mid-July based on the assumptions that: (1) the Supreme Court of Bermuda will be able to accommodate the preferred hearings schedule and meeting dates and other procedural matters; (2) IPC shareholders holding at least one-tenth of the issued shares of IPC have requisitioned a special general meeting to be held in late June or early July to approve and have IPC be bound by the Scheme of Arrangement; and (3) the IPC directors, following the rejection of the Proposed Max Amalgamation, or IPC shareholders, convene the requisitioned special general meeting, allowing it to be held by mid-July.

*Q: What would IPC shareholders receive in the Acquisition?*

A: Under the terms of the Validus Amalgamation Agreement, each outstanding IPC Share (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law, and excluding any shares held by Validus, IPC or any of their respective subsidiaries) would be cancelled and converted into the right to receive 1.2037 Validus Shares upon closing of the amalgamation. Under the terms of the Scheme of Arrangement, each outstanding IPC Share (excluding any IPC Shares beneficially owned by Validus, its subsidiaries or IPC), would be transferred to Validus in exchange for 1.2037 Validus Shares upon effectiveness of the Scheme of Arrangement. Under the terms of the Exchange Offer, each outstanding IPC Share (excluding any IPC Shares beneficially owned by Validus, its subsidiaries or IPC) that is validly tendered and not withdrawn would be exchanged for 1.2037 Validus Shares upon closing of the Exchange Offer.

IPC shareholders would not receive any fractional Validus Shares in the Acquisition. Instead, IPC shareholders would be paid cash in lieu of the fractional share interest to which such shareholders would otherwise be entitled. We refer to the exchange ratio and the cash in lieu of fractional shares as the acquisition consideration.

*Q: What percentage of Validus Shares will the former holders of IPC Shares own after the Acquisition?*

A: Based on Validus and IPC's capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own



approximately 43% of the issued and outstanding common shares, of Validus on a fully-diluted basis following closing of the Acquisition.

**Table of Contents**

*Q: Would the Validus Amalgamation Agreement signed by IPC be the exact form attached hereto as Annex A?*

A: Validus delivered the Validus Amalgamation Agreement to IPC on March 31, 2009 intending it to be executed in the exact form provided. Since then, in response to IPC's rejection of the Validus Amalgamation Offer, we are proceeding with efforts to move forward with the transaction without IPC's cooperation, including by soliciting your votes to approve the issuance of Validus Shares in connection with the Acquisition. These efforts will necessitate certain updates to the form of Validus Amalgamation Agreement which we believe are not material to Validus or IPC shareholders. We cannot predict what other changes may become necessary due to changed circumstances or as a result of negotiations with IPC should that occur. If any changes are made to the Validus Amalgamation Agreement that Validus believes are material to Validus shareholders, Validus will supplement this proxy statement and, if necessary, resolicit proxies from its shareholders.

*Q: Are Validus shareholders able to exercise appraisal rights?*

A: The Validus shareholders will not be entitled to exercise appraisal rights with respect to any matter to be voted upon at the Validus special meeting.

*Q: Will I have preemptive rights in connection with the Share Issuance?*

A: No. Validus shareholders will not be entitled to any preemptive rights in connection with the Share Issuance.

*Q: What will be the composition of the board of directors of Validus following the effectiveness of the Acquisition?*

A: Upon the effectiveness of the Acquisition, Validus' board of directors would consist of the directors serving on the board of directors of Validus before the Acquisition; however, Validus has expressed to the IPC directors that if they desire to participate in the leadership of Validus after the Acquisition, Validus would consider that.

*Q: How will Validus be managed after the Acquisition?*

A: Upon closing of the Acquisition, the officers of Validus will be the officers serving Validus before the Acquisition.

*Q: What shareholder vote is required to approve the Share Issuance and the Adjournment Proposal at the Validus special meeting and how many votes must be present to hold the meeting?*

A: The affirmative vote of a majority of the votes cast at the Validus special meeting, at which a quorum is present in accordance with Validus' bye-laws, is required to approve each of the Share Issuance Proposal and the Adjournment Proposal. The Share Issuance will become effective only if it is duly approved by Validus shareholders and all of the other conditions to the Acquisition are satisfied or waived and the Acquisition closes. The affirmative vote of a majority of the votes cast at the Validus special meeting is required to approve each other matter to be acted on, including any Adjournment Proposal. As of March 13, 2009, 42.4% of the outstanding Validus Shares were held by entities affiliated with Validus' directors and executive officers.

Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any proposal brought before, the Validus special meeting. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting. For the Validus special meeting, a quorum consists



**Table of Contents**

of two or more shareholders present in person and representing in person or by proxy in excess of 50% of the total issued Validus Shares throughout the meeting.

*Q: Does Validus board of directors recommend approval of the proposals?*

A: Yes. Validus board of directors, taking into consideration the reasons discussed under *The Acquisition Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance*, unanimously adopted the Validus Amalgamation Agreement and authorized and approved the Share Issuance. Validus board of directors deems it fair, advisable and in the best interests of Validus to enter into the Validus Amalgamation Agreement and to acquire all of the outstanding IPC Shares and to consummate the Share Issuance. **Validus board of directors recommends that Validus shareholders vote FOR the matters submitted on the Validus proxy card.**

*Q: Have any Validus shareholders agreed to support the proposals?*

A: All of the officers and those directors and shareholders who are qualified sponsors (as defined in this proxy statement) and who own Validus Shares have indicated that they intend to vote the Validus Shares owned by them in favor of the Share Issuance Proposal and the Adjournment Proposal. As of March 13, 2009, these persons and entities beneficially owned 42.4% of the voting interests relating to the Validus Shares. All of our officers, directors and qualified sponsors together own 57.4% of the economic interests relating to all outstanding common shares of Validus.

*Q: Will any other matters be voted on at the Validus special meeting?*

A: Validus knows of no specific matter to be brought before the Validus special meeting that is not referred to in the notice of the Validus special meeting. If any such matter comes before the Validus special meeting, the proxy holders will vote proxies in accordance with their judgment.

*Q: What is the record date for the Validus special meeting?*

A: Only shareholders of record, as shown by the transfer books of Validus at the close of business on \_\_\_\_\_, 2009 (the Validus record date) are entitled to receive notice of and to vote at the Validus special meeting or any adjournment thereof.

*Q: How many votes do I have and how many votes can be cast by all Validus shareholders?*

A: Shareholders of record as of the close of business on \_\_\_\_\_, 2009 will be entitled to vote at the Validus special meeting. As of March 13, 2009, there were 58,849,289 outstanding Validus Shares entitled to vote at the Validus special meeting, and 19,771,422 non-voting common shares.

*Q: What do I need to do now?*

A: Validus urges you to read carefully this proxy statement, including its annexes, schedules and the documents incorporated by reference herein. You also may want to review the documents referenced under *Where You Can Find More Information* on page 104 and consult with your accounting, legal and tax advisors. Once you have considered all relevant information, Validus encourages you to fill in and return the attached proxy card (if you are a shareholder of record) or voting instruction form you receive from your bank, broker or other nominee (if you hold your Validus Shares in street name).



**Table of Contents**

*Q: How can I vote my shares at the Validus special meeting?*

A: If your shares are registered directly in your name as of the record date with our transfer agent, Bank of New York Mellon, you are considered the shareholder of record with respect to those shares, and the proxy materials and proxy card are being sent directly to you. As the shareholder of record, you have the right to vote in person at the meeting. If you choose to do so, you can bring the enclosed proxy card. Most shareholders of Validus hold their shares through a bank, broker or other nominee (that is, in street name) rather than directly in their own name. If you hold your shares in street name, you are a beneficial holder, and the proxy materials are being forwarded to you by your bank, broker or other nominee together with a voting instruction form. Because a beneficial holder is not the shareholder of record, you may not vote these shares in person at the meeting unless you obtain a valid proxy from the bank, broker or other nominee that holds your shares (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date) giving you the right to vote the shares at the meeting. Even if you plan to attend the Validus special meeting, we recommend that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the Validus special meeting.

*Q: How can I vote my shares without attending the Validus special meeting?*

A: If you are the shareholder of record, you may direct your vote without attending the Validus special meeting by completing and mailing your proxy card in the enclosed pre-paid envelope. In addition, if you are the shareholder of record, you may grant a proxy to vote your shares at the Validus special meeting by telephone by calling **866-367-5524** and following the simple recorded instructions, twenty-four hours a day, seven days a week, at any time prior to 11:59 p.m., Eastern Time, on the day prior to the Validus special meeting. Alternatively, as a shareholder of record, you may vote via the Internet at any time prior to 11:59 p.m., Eastern Time, on the day prior to the Validus special meeting by going to <http://proxy.georgeson.com>, entering the company number and control number on your proxy card and following the instructions to submit an electronic proxy. If you vote by telephone or the Internet, you will be required to provide the control number contained on your proxy card. If you hold your Validus Shares in street name you should complete and return the voting instruction form you receive from your bank, broker or other nominee in accordance with the instructions you receive from your bank, broker or other nominee. Your voting instruction form may contain instructions from your bank, broker or other nominee that allow you to vote your shares using the Internet or by telephone. Please consult with your bank, broker or other nominee if you have any questions regarding the voting of shares held in street name.

*Q: What do I need for admission to the Validus special meeting?*

A: You are entitled to attend the Validus special meeting only if you are (i) a shareholder of record or (ii) a beneficial owner or other person holding a valid proxy from the bank, broker or other nominee that holds your shares (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date). If you are the shareholder of record, your name will be verified against the list of shareholders of record prior to your admittance to the Validus special meeting. You should be prepared to present photo identification for admission. If you hold your shares in street name and would like to be admitted to the meeting, you will need to provide a valid proxy from the bank, broker or other nominee that holds your shares (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date) and proof of beneficial ownership on the record date, such as a brokerage account statement showing that you owned Validus Shares as of the record date, a copy of the voting instruction form provided by your bank, broker or other nominee, or other similar evidence of ownership as of the record date, as well as your photo identification. If you do not comply with the procedures outlined above, you may not be admitted to the Validus special meeting.

*Q: If my shares are held in a brokerage account or in street name, will my broker vote my shares for me?*

A: If you own your shares through a bank, broker or other nominee, you will receive instructions from that institution on how to instruct them to vote your shares, including by completing a voting instruction form, or providing instructions by Internet or telephone. If you do not receive such instructions, you may contact

## **Table of Contents**

that institution to request them. In accordance with NYSE rules, banks, brokers and other nominees who hold Validus Shares in street-name for customers may not exercise their voting discretion with respect to the Share Issuance. Accordingly, if you do not provide your bank, broker or other nominee with instructions on how to vote your street name shares, your bank, broker or other nominee will not be permitted to vote them at the Validus special meeting. Also, if your bank, broker or other nominee has indicated on the relevant proxy that it does not have discretionary authority to vote such street name shares, your bank, broker or other nominee will not be permitted to vote them. Either of these situations results in a broker non-vote.

A broker non-vote with respect to the Validus special meeting will not be considered as a vote cast with respect to any matter presented at the Validus special meeting, but will be counted for purposes of establishing a quorum, *provided* that your bank, broker or nominee is in attendance in person or by proxy. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting.

Because your bank, broker or other nominee will not have discretionary authority to vote your shares, you must provide your bank, broker or other nominee with instructions on how to vote your shares or arrange to attend the Validus special meeting and vote your shares in person if you want your shares to be voted and to avoid a broker non-vote. If your bank, broker or other nominee holds your shares and you attend the Validus special meeting in person, you should bring a letter from your bank, broker or other nominee identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the meeting.

*Q: What effect do abstentions and broker non-votes have on the proposals?*

A: Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any proposal brought before the Validus special meeting. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting. See also *The Validus Special Meeting – Record Date and Shares Entitled to Vote*.

*Q: How will my shares be voted if I sign and return a proxy card or voting instruction form without specifying how to vote my shares?*

A: If you sign and return a proxy card or voting instruction form without giving specific voting instructions, your shares will be voted FOR the Share Issuance Proposal and FOR the Adjournment Proposal and as the persons named as proxies may determine in their discretion with respect to any other matters properly presented for a vote before the Validus special meeting.

*Q: What do I do if I want to change my vote or revoke my proxy?*

A: You may change your vote or revoke your proxy at any time before your proxy is voted at the Validus special meeting. If you are a shareholder of record, you may change your vote or revoke your proxy by: (1) delivering to Validus (Attention: General Counsel) at 19 Par-La-Ville Road, Hamilton, HM11, Bermuda, a written notice of revocation of your proxy; (2) delivering to Validus an authorized proxy bearing a later date (including a proxy by telephone or over the Internet); or (3) attending the Validus special meeting and voting in person as described above under the question entitled *How can I vote my shares at the Validus special meeting?* Attendance at the Validus special meeting in and of itself, without voting in person at the Validus special meeting, will not cause your previously



granted proxy to be revoked. For shares you hold in street name, you should follow the instructions of your bank, broker or other nominee or, if you have obtained a valid proxy from the bank, broker or other nominee that holds your shares (and who has received a

**Table of Contents**

legal proxy, with a power of subdelegation, from the shareholder of record as of the record date) giving you the right to vote your shares at the Validus special meeting, by attending the Validus special meeting and voting in person.

*Q: Who can I contact with any additional questions?*

If you have additional questions about the Acquisition, if you would like additional copies of this proxy statement, or if you need assistance voting your Validus Shares, you should contact Georgeson Inc. ( Georgeson ) at:

Georgeson Inc.  
199 Water Street, 26th Floor  
New York, New York 10038  
Banks and Brokerage Firms Please Call: (212) 440-9800  
All Others Please Call Toll Free: (888) 274-5146  
E-mail inquiries: validus@georgeson.com

*Q: Where can I find more information about the companies?*

A: You can find more information about Validus and IPC in the documents described under *Where You Can Find More Information* on page 104.

**Table of Contents**

**SUMMARY**

*This summary highlights the material information in this proxy statement. To fully understand Validus' proposals, and for a more complete description of the terms of the amalgamation, you should read carefully this entire document, including the annexes and documents incorporated by reference herein, and the other documents referred to herein. For information on how to obtain the documents that are on file with the SEC, see Where You Can Find More Information on page 104.*

**Validus (page 93)**

Validus is a Bermuda exempted company with its principal executive offices located at 19 Par-La-Ville Road, Hamilton HM11, Bermuda. The telephone number of Validus is (441) 278-9000. Validus is a provider of reinsurance and insurance, conducting its operations worldwide through two wholly-owned subsidiaries, Validus Reinsurance, Ltd. (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 the specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183. Validus common shares are traded on the NYSE under the symbol VR and, as of May 7, 2009, the last practicable date prior to the filing of this proxy statement, Validus had a market capitalization of approximately \$1.76 billion. Validus has approximately 280 employees.

As of the date this proxy statement was first mailed to Validus shareholders, Validus was the registered holder of 100 IPC Shares, or less than 1% of the outstanding IPC Shares and Validus was entitled to vote as to all of the IPC Shares it owns.

**IPC (page 93)**

The following description of IPC is taken from the Registration Statement on Form S-4 filed by IPC with the SEC in connection with the Proposed Max Amalgamation (as amended from time to time, the IPC/Max S-4). See *Sources of Additional Information* above.

IPC, a Bermuda exempted company, provides property catastrophe reinsurance and, to a limited extent, property-per-risk excess, aviation (including satellite) and other short-tail reinsurance on a worldwide basis. During 2008, approximately 93% of its gross premiums written, excluding reinstatement premiums, covered property catastrophe reinsurance risks. Property catastrophe reinsurance covers against unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, riots, floods and other man-made or natural disasters. The substantial majority of the reinsurance written by IPCRe, IPC's Bermuda-based property catastrophe reinsurance subsidiary, has been, and continues to be, written on an excess of loss basis for primary insurers rather than reinsurers, and is subject to aggregate limits on exposure to losses. During 2008, IPC had approximately 258 clients from whom it received either annual/deposit or adjustment premiums, including many of the leading insurance companies around the world. In 2008, approximately 36% of those clients were based in the United States, and approximately 53% of gross premiums written, excluding reinstatement premiums, related primarily to U.S. risks. IPC's non-U.S. clients and its non-U.S. covered risks are located principally in Europe, Japan, Australia and New Zealand. During 2008, no single ceding insurer accounted for more than 3.7% of its gross premiums written, excluding reinstatement premiums. At December 31, 2008, IPC had total shareholders' equity of \$1,851 million and total assets of \$2,389 million.

IPC's common shares are quoted on NASDAQ under the ticker symbol IPCR and the Bermuda Stock Exchange under the symbol IPCR BH. IPC's principal executive offices are located at American International Building, 29 Richmond Road, Pembroke HM 08, Bermuda and its telephone number is (441) 298-5100.

**Table of Contents**

**The Validus Special Meeting (page 94)**

The Validus special meeting will be held on June , 2009, at , Atlantic time, at the registered office of Validus, located at 19 Par-La-Ville Road, Hamilton HM11, Bermuda. Validus shareholders will be asked at the Validus special meeting:

to approve the issuance of Validus Shares in connection with the Acquisition of all of the outstanding IPC Shares, pursuant to the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise; and

to transact such further business, if any, as may be lawfully brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

You can vote at the Validus special meeting only if you are a shareholder of record, as shown by the transfer books of Validus, at the close of business on , 2009, which is the record date for the Validus special meeting.

**The Acquisition (page 45)**

***General Description (page 45)***

If the Validus Amalgamation Agreement is signed by IPC, and all conditions to the amalgamation have been satisfied or waived, IPC will amalgamate with Validus Ltd., a direct, wholly owned subsidiary of Validus, with the amalgamated company continuing as the surviving company and succeeding to and assuming all of the rights, properties, liabilities and obligations of IPC and Validus Ltd. if the amalgamation is consummated. Upon the closing of the amalgamation, the separate corporate existence of each of IPC and Validus Ltd. will cease and they will continue as an amalgamated company and subsidiary of Validus. The amalgamated company will be named Validus Ltd. IPC shareholders (including the shareholders that do not vote in favor of the amalgamation) would have the right to receive 1.2037 Validus Shares and cash in lieu of fractional shares in exchange for each IPC common share they hold, unless they exercise appraisal rights pursuant to Bermuda law.

If the Scheme of Arrangement becomes effective, Validus will effect the Acquisition of IPC by the transfer of all outstanding IPC Shares (excluding any IPC Shares beneficially owned by Validus or its subsidiaries or IPC) to Validus in exchange for Validus Shares at a ratio of 1.2037 Validus Shares (together with cash in lieu of the fractional Validus Share interest to which such shareholders would otherwise be entitled) for each IPC Share. IPC would thereby become a wholly-owned subsidiary of Validus.

If the Exchange Offer is consummated, each outstanding IPC Share which is validly tendered and not withdrawn before the expiration time of the Exchange Offer will be exchanged for 1.2037 Validus Shares. The Exchange Offer is subject to the condition, among others, that a minimum of 90% of the then outstanding IPC Shares on a fully-diluted basis be tendered (excluding any IPC Shares beneficially owned by Validus, its subsidiaries or IPC). If this condition is satisfied and the Exchange Offer is completed, Validus intends, after completion of the Exchange Offer, to acquire the IPC Shares of those shareholders who choose not to tender their IPC Shares pursuant to the Exchange Offer, in accordance with the Companies Act.

Assuming closing of the Acquisition, based on Validus capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own approximately 43% of the issued and outstanding common shares of Validus on a fully-diluted basis. The Validus Amalgamation Agreement is attached as Annex A to this proxy statement. You should read the Validus Amalgamation Agreement in its entirety because it, and not this proxy statement, is the legal document that would

govern the amalgamation.

**Table of Contents**

***Completing the Acquisition***

On March 31, 2009, Validus announced that it had delivered to IPC the Validus Amalgamation Offer. In connection with the delivery of the Validus Amalgamation Offer to IPC, Validus also delivered a copy of the Validus Amalgamation Agreement signed by Validus so that, upon a termination of the Max Amalgamation Agreement, IPC would be able to sign Validus Amalgamation Agreement with the certainty of an agreed transaction. IPC announced on April 7, 2009 that its board of directors has determined that the Validus Amalgamation Offer does not constitute a superior proposal to the Proposed Max Amalgamation and reaffirmed its support of the Proposed Max Amalgamation. Additionally, Max has not released IPC from the prohibition in the Max Amalgamation Agreement that prevents IPC from even discussing the Validus Amalgamation Offer with Validus. Therefore, in order to consummate the Acquisition without the cooperation of IPC's board of directors, Validus is pursuing a three-part plan.

First, Validus is asking IPC shareholders to vote against the Proposed Max Amalgamation. If the Proposed Max Amalgamation is voted down by IPC shareholders, IPC would be able to terminate the Max Amalgamation Agreement and accept the Validus Amalgamation Offer.

Second, Validus intends to commence in the near future the Exchange Offer for all of the outstanding IPC Shares. The Exchange Offer would allow Validus to complete the Acquisition of IPC shortly following the IPC annual general meeting, if the IPC shareholders vote down the Proposed Max Amalgamation and the other conditions to the Exchange Offer are satisfied. Under the terms of the Exchange Offer, IPC shareholders would receive 1.2037 Validus Shares for each IPC Share. The Exchange Offer will be subject to certain conditions described in the Offer to Exchange filed by Validus with the SEC, including the tender of at least 90% of the total outstanding IPC Shares (on a fully diluted basis), termination of the Max Amalgamation Agreement, and the consent of Validus lenders. Under Bermuda law, if Validus acquires 90% or more of IPC Shares in the Exchange Offer, Validus will have the right to acquire the remaining IPC Shares in a second-step acquisition under Bermuda law. The Exchange Offer will not be conditioned on regulatory approvals or the elimination of the possible termination fee to Max.

Third, Validus intends to petition the Supreme Court of Bermuda to approve the Scheme of Arrangement under which Validus would acquire all IPC Shares under the same economic terms as in the Validus Amalgamation Offer. The Scheme of Arrangement can be accomplished without the approval of IPC's board of directors if approved by IPC shareholders at two shareholder meetings and sanctioned by the Supreme Court of Bermuda. The first shareholder meeting is the court-ordered IPC meeting at which IPC shareholders can vote to approve the Scheme of Arrangement. In addition, if IPC's board of directors continues to be uncooperative despite shareholder approval at the court-ordered IPC meeting, IPC shareholders can call the IPC special general meeting at which IPC shareholders can require IPC to approve and be bound by the Scheme of Arrangement and to terminate the Max Amalgamation Agreement. Following IPC shareholder approval at both of these meetings, and approval by the Supreme Court of Bermuda, the Scheme of Arrangement would become effective and IPC would become a subsidiary of Validus. The Scheme of Arrangement would be approved with the vote of a majority in number of the holders of IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy, representing 75% or more in value of the IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy. The required vote at the second meeting is an affirmative vote of the holders of a majority of IPC Shares voting at the meeting.

The Validus Amalgamation Offer, the Exchange Offer and the Scheme of Arrangement are alternative methods for Validus to acquire all of the issued and outstanding IPC Shares on the same economic terms. Ultimately, only one of these transaction structures can be pursued to completion. Validus intends to seek to acquire all IPC Shares by whichever method Validus determines is most effective and efficient.

***Recommendations of the Validus Board of Directors***

Validus board of directors has adopted the Validus Amalgamation Agreement and authorized and approved the Share Issuance, and deems it fair, advisable and in the best interests of Validus to consummate the Share Issuance, the Acquisition and the other transactions contemplated thereby. Validus board of directors



**Table of Contents**

recommends that Validus shareholders vote FOR the proposals submitted to Validus shareholders on the attached Validus proxy card.

***Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance (page 67)***

Validus board of directors recommends approval of the Share Issuance in order to issue shares that are necessary to effect the Acquisition. Validus board of directors believes that the Acquisition represents a compelling combination and excellent strategic fit that will enable Validus to capitalize on opportunities in the global reinsurance market. The Acquisition would allow IPC shareholders to benefit from the superior growth potential of Validus that would be a leading carrier in Bermuda's short-tail reinsurance and insurance markets, with a strong balance sheet and quality diversification in profitable business lines.

In reaching these conclusions and in determining that the Share Issuance is fair, advisable and in the best interests of Validus, and in recommending the approval of the Share Issuance, Validus board of directors consulted with Validus management as well as legal and financial advisors and considered a number of factors. Those factors included, but were not limited to, those set forth under *The Acquisition Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance* below.

***Opinion of Validus Financial Advisor (page 70)***

Validus board of directors received an oral opinion, subsequently confirmed in writing, from Greenhill & Co., LLC, who we refer to as *Greenhill*, that, based upon and subject to the various limitations and assumptions described in the written opinion, as of March 31, 2009, the exchange ratio pursuant to the Validus Amalgamation Agreement was fair, from a financial point of view, to Validus.

The full text of the written opinion of Greenhill, dated March 31, 2009, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the opinion and the review undertaken in connection with rendering the opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. Validus shareholders are urged to read the opinion in its entirety, but should note that it is not a recommendation as to how Validus shareholders should vote with respect to the issuance of Validus Shares pursuant to the Acquisition or any other matter.

***Dividends and Distributions (page 78)***

Each of Validus and IPC regularly pays a quarterly cash dividend. Under the terms of the Validus Amalgamation Agreement, before the amalgamation closes, Validus and IPC would both be permitted to declare and pay ordinary course quarterly dividends on their common shares with record and payment dates consistent with past practice; *provided* that any such dividend is at a rate no greater than the rate it paid during the fiscal quarter immediately preceding the date of the Validus Amalgamation Agreement, *i.e.*, \$0.20 per common share in Validus case and \$0.22 per common share in IPC's case.

Pursuant to the Validus Amalgamation Agreement, Validus and IPC would agree to coordinate the declaration of, and setting of record dates and payment dates for, dividends on Validus common shares and IPC common shares so that the IPC shareholders do not receive dividends on both the IPC common shares and the Validus Shares received in the amalgamation in respect of any calendar quarter or fail to receive a dividend in respect of any calendar quarter.

***Anticipated Accounting Treatment (page 78)***

The Acquisition will be accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141(R), Business Combinations ( *FAS 141(R)* ), under which the total consideration paid in the Acquisition will be allocated among acquired tangible and intangible assets and assumed liabilities based on the fair values of the tangible and intangible assets acquired and liabilities assumed. In the event there is an excess of the total consideration paid in the Acquisition over the fair values, the excess will be accounted for as goodwill. Intangible assets with definite lives will be amortized over their estimated useful lives. Goodwill resulting from the Acquisition will not be amortized but instead

## **Table of Contents**

will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management of Validus determines that the value of goodwill has become impaired, an accounting charge will be taken in the fiscal quarter in which such determination is made. In the event there is an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid in the Acquisition, the excess will be accounted in accordance with FAS 141(R). The excess resulting from the Acquisition will be recognized in earnings as a gain attributable to the acquirer on the acquisition date. Validus anticipates the Acquisition will result in an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid in the Acquisition.

### **The Amalgamation Agreement (page 79)**

*The Validus Amalgamation Agreement is attached as Annex A to this proxy statement. This description of the Validus Amalgamation Agreement assumes that it is signed by IPC in the form delivered by Validus to IPC. You should read the Validus Amalgamation Agreement in its entirety because it, and not this proxy statement, is the legal document that would govern the amalgamation if it were signed by IPC.*

In response to IPC's rejection of the Validus Amalgamation Offer, Validus is engaging in efforts to move forward with the transaction without IPC's cooperation. These efforts will necessitate certain changes to the Validus Amalgamation Agreement which are not material to Validus or IPC shareholders. For example, the Validus Amalgamation Agreement contemplates Validus and IPC would cooperate in the preparation and filing of a joint proxy statement/prospectus regarding the amalgamation which would have included soliciting the votes we are seeking by this proxy statement. Certain other provisions regarding timing and process would need to be updated similarly.

### ***Amalgamation Consideration (page 80)***

Under the Validus Amalgamation Agreement, each outstanding IPC Share (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law, and including any shares held by Validus, IPC or any of their respective subsidiaries) will be cancelled and converted into the right to receive 1.2037 Validus Shares upon closing of the amalgamation and cash consideration in lieu of any fractional Validus Shares.

Validus will not issue any fractional Validus Shares in connection with the amalgamation. Instead, any IPC shareholder who would otherwise have been entitled to a fraction of a Validus Share in connection with the amalgamation will be paid an amount in cash determined by multiplying such fraction by the average Validus price (such average Validus common share price is determined by valuing Validus common shares based on the volume weighted average price per Validus common share on the NYSE for the five consecutive trading days immediately preceding the second trading day prior to the closing of the amalgamation).

### ***Restrictions on Change in Recommendation by the Board of Directors of IPC or Validus (page 86)***

Pursuant to the Validus Amalgamation Agreement, the boards of directors of IPC or Validus may not withdraw or modify, in any manner adverse to the other party, its recommendations in connection with the amalgamation except if such board has concluded in good faith, after consultation with its outside counsel and financial advisors, that such action is reasonably likely to be required in order for the directors to comply with their fiduciary duties under applicable law, and such party has not materially breached its obligations with respect to changing its recommendation. Before a party can change its recommendation with respect to the amalgamation, it must provide advance written notice of such change to the other party and give the other party five business days to agree to alter the terms and conditions of the Validus Amalgamation Agreement in a manner that removes the need for the applicable board of directors to change its recommendation in order to prevent a breach of its fiduciary duties. Even if

IPC or Validus has had a change in recommendation, each will still be required to submit such matters to the respective shareholders meeting. See *The Amalgamation Agreement Restrictions on Change in Recommendation by the Boards of Directors of IPC or Validus* below.

**Table of Contents**

***Restrictions on Solicitation of Acquisition Proposals by IPC (page 86)***

The Validus Amalgamation Agreement precludes IPC and its subsidiaries and advisors from, directly or indirectly, initiating, soliciting, encouraging or facilitating (including by providing information) any effort or attempt to make or implement any proposal or offer with respect to an amalgamation, reorganization, consolidation, business combination or similar transaction involving it or any of its subsidiaries or any purchase or sale involving 10% or more of its consolidated assets (including, without limitation, shares of its subsidiaries), or 10% or more of its total voting power or the voting power of any of its subsidiaries. There is no fiduciary duty exception to this restriction. IPC may withdraw or modify its recommendation as described under *The Amalgamation Agreement Restrictions on Change in Recommendation by the Boards of Directors of IPC or Validus* below. See *The Amalgamation Agreement Restrictions on Solicitation of Acquisition Proposals by IPC* below.

***Conditions to the Amalgamation (page 89)***

Validus and IPC's respective obligations to complete the amalgamation are subject to the fulfillment or waiver (by both Validus and IPC) of certain conditions, including:

receipt of the required Validus shareholder approval of the Share Issuance and the required IPC vote to adopt the Validus Amalgamation Agreement and approve the amalgamation;

approval for listing on the NYSE of the Validus Shares to be issued or reserved for issuance in connection with the amalgamation, subject to official notice of issuance;

certain regulatory filings, approvals or exemptions will have been made, will have occurred or will have been obtained;

a registration statement registering the shares to be issued in the amalgamation will have become effective under the Securities Act of 1933, as amended, and will not be the subject of any stop order or proceedings seeking a stop order;

no injunction or other legal restraints or prohibitions preventing the consummation of the amalgamation will be in effect;

subject to the materiality standards provided in the Validus Amalgamation Agreement, the representations and warranties of each other party in the Validus Amalgamation Agreement will be true and correct, and each party will have performed its obligations under the Validus Amalgamation Agreement (and each party will have received a certificate from the other party to such effect);

no governmental entity will have imposed any term, condition, obligation or restriction that would reasonably be expected to have a material adverse effect on Validus and its subsidiaries (including the amalgamated entity) after the effective time of the amalgamation; and

each of IPC and Validus will have received a tax opinion with respect to certain U.S. federal income tax consequences of the amalgamation.

Validus' obligation to complete the amalgamation is also subject to the fulfillment or waiver (by Validus) of the following condition:

all amendments or waivers under (x) IPC's credit facilities and (y) Validus' credit facilities, in each case, as determined by Validus to be necessary to consummate the amalgamation and the other transactions contemplated thereby, shall be in full force and effect.

At any time prior to the effective time of the amalgamation, the parties may, to the extent legally permissible, waive compliance with any of the conditions contained in the Validus Amalgamation Agreement, as described under *The Amalgamation Agreement - Amendments and Waivers Under the Amalgamation Agreement* below.

**Table of Contents**

***Termination of the Amalgamation Agreement (page 90)***

The Validus Amalgamation Agreement may be terminated, at any time prior to the effective time of the amalgamation, by mutual written consent of IPC and Validus, and, subject to certain limitations described in the Validus Amalgamation Agreement, by either IPC or Validus, if any of the following occurs:

a regulatory approval required by the Validus Amalgamation Agreement to be obtained has been denied or any governmental authority has taken any action permanently restraining or prohibiting the amalgamation, and such denial or action has become final and non-appealable (unless the failure to complete the amalgamation by that date is due to a breach by the party seeking to terminate the Validus Amalgamation Agreement);

the amalgamation has not been consummated on or before the later of (x) November 30, 2009 or (y) the date that is five months after the date the Validus Amalgamation Agreement is executed by all parties (unless the failure to complete the amalgamation by that date is due to a breach by the party seeking to terminate the Validus Amalgamation Agreement);

the other party's board of directors has (1) changed its recommendation to its shareholders, (2) failed to include such recommendation in this proxy statement, or (3) with respect to IPC only, materially breached certain of the non-solicitation obligations applicable to it under the Validus Amalgamation Agreement;

the other party has breached a covenant, agreement, representation or warranty that would preclude the satisfaction of certain closing conditions and such breach is not remedied in the 45 days following written notice to the breaching party or is not capable of being so remedied;

the Validus shareholders have not approved any of the matters for which their approval is solicited for the required Validus vote or the IPC shareholders have not approved and adopted the Validus Amalgamation Agreement and approved the amalgamation at the IPC shareholders' meeting;

the other party's good-faith estimate of such party's book value as of the day prior to the requesting party's shareholder meeting indicates that since December 31, 2008, either (1) the other party's book value has declined by more than 50%, or (2) the other party's book value has declined by more than 20 percentage points greater than the decline in the terminating party's book value during the same period (with any increase in a party's book value since December 31, 2008, deemed to be no change for purposes of measuring the 20 percentage point differential).

In addition, Validus may terminate the Validus Amalgamation Agreement if the total number of dissenting IPC Shares for which appraisal rights have been properly exercised in accordance with Bermuda law exceeds 15% of the issued and outstanding IPC Shares on the business day immediately following the last day on which IPC shareholders can require appraisal of their common shares. See *The Amalgamation Agreement - Termination of the Amalgamation Agreement*.

***Effects of Termination, Remedies (page 91)***

If either of the parties terminates the Validus Amalgamation Agreement, the non-terminating party will be required to pay the other a termination fee of \$16 million in certain circumstances, as described under *The Amalgamation Agreement - Termination of the Amalgamation Agreement - Effects of Termination; Remedies* below.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VALIDUS**

Set forth below is certain selected historical consolidated financial data relating to Validus. The financial data has been derived from Validus' annual report on Form 10-K for the year ended December 31, 2008 (the "Validus 10-K"). 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-K, which is incorporated by reference into this proxy statement. More comprehensive financial information, including Management's Discussion and Analysis of Financial Condition and Results of Operations, is contained in the Validus 10-K, and the following summary is qualified in its entirety by reference to the Validus 10-K and all of the financial information and notes contained in the Validus 10-K. See *Where You Can Find More Information* on page 104.

|   | <b>Year Ended<br/>December 31,<br/>2008</b> | <b>Year Ended<br/>December 31,<br/>2007</b> | <b>Year Ended<br/>December 31,<br/>2006</b> | <b>Period<br/>Ended<br/>December 31,<br/>2005</b> |
|---|---|---|---|---|
| <b>(Dollars in thousands, except share and per share amounts)</b> |   |   |   |   |
| <b>Revenues</b>   |   |   |   |   |
| Gross premiums written  | \$ 1,362,484                                | \$ 988,637                                  | \$ 540,789                                  | \$  |
| Reinsurance premiums ceded  | (124,160)                                   | (70,210)                                    | (63,696)                                    |   |
| Net premiums written  | 1,238,324                                   | 918,427                                     | 477,093                                     |   |
| Change in unearned premiums                                       | 18,194                                      | (60,348)                                    | (170,579)                                   |   |
| Net premiums earned   | 1,256,518                                   | 858,079                                     | 306,514                                     |   |
| Net investment income   | 139,528                                     | 112,324                                     | 58,021                                      | 2,032   |
| Realized gain on repurchase of debentures                         | 8,752                                       |   |   |   |
| Net realized gains (losses) on investments                        | (1,591)                                     | 1,608                                       | (1,102)                                     | 39  |
| Net unrealized gains on investments(2)                            | (79,707)                                    | 12,364                                      |   |   |
| Other income  | 5,264                                       | 3,301                                       |   |   |
| Foreign exchange gains (losses)                                   | (49,397)                                    | 6,696                                       | 2,157                                       |   |
| <b>Total revenues</b>   | <b>1,279,367</b>                            | <b>994,372</b>                              | <b>365,590</b>                              | <b>2,071</b>                                      |
| <b>Expenses</b>   |   |   |   |   |
| Losses and loss expenses  | 772,154                                     | 283,993                                     | 91,323                                      |   |
| Policy acquisition costs  | 234,951                                     | 134,277                                     | 36,072                                      |   |
| General and administrative expenses(1)                            | 123,948                                     | 100,765                                     | 38,354                                      | 2,367   |
| Share compensation expenses                                       | 27,097                                      | 16,189                                      | 7,878                                       | 290   |
| Finance expenses  | 57,318                                      | 51,754                                      | 8,789                                       |   |
| Fair value of warrants issued                                     |   | 2,893                                       | 77  | 49,122  |
| <b>Total expenses</b>   | <b>1,215,468</b>                            | <b>589,871</b>                              | <b>182,493</b>                              | <b>51,779</b>                                     |
| <b>Net income before taxes</b>                                    | <b>63,899</b>                               | <b>404,501</b>                              | <b>183,097</b>                              | <b>(49,708)</b>                                   |
| Taxes   | (10,788)                                    | (1,505)                                     |   |   |



|  |           |            |            |             |
|--|-----------|------------|------------|-------------|
| <b>Net income (loss)</b>                                     | 53,111    | 402,996    | 183,097    | (49,708)    |
| <b>Comprehensive income (loss)</b>                           |           |            |            |             |
| Unrealized gains arising during the period(2)                |           |            | (332)      | 144         |
| Foreign currency translation adjustments                     | (7,809)   | (49)       |            |             |
| Adjustment for reclassification of losses realized in income |           |            | 1,102      | (39)        |
| Comprehensive income (loss)                                  | \$ 45,302 | \$ 402,947 | \$ 183,867 | \$ (49,603) |

**Table of Contents**

|   | <b>Year Ended<br/>December 31,<br/>2008</b> | <b>Year Ended<br/>December 31,<br/>2007</b> | <b>Year Ended<br/>December 31,<br/>2006</b> | <b>Period Ended<br/>December 31,<br/>2005</b> |
|---|---|---|---|---|
| <b>(Dollars in thousands, except share and per share amounts)</b>                 |   |   |   |   |
| <b>Earnings per share(3)</b>  |   |   |   |   |
| Weighted average number of common shares and common share equivalents outstanding |   |   |   |   |
| Basic   | 74,677,903                                  | 65,068,093                                  | 58,477,130                                  | 58,423,174                                    |
| Diluted   | 75,819,413                                  | 67,786,673                                  | 58,874,567                                  | 58,423,174                                    |
| Basic earnings per share  | \$ 0.62                                     | \$ 6.19                                     | \$ 3.13                                     | \$ (0.85)                                     |
| Diluted earnings per share  | \$ 0.61                                     | \$ 5.95                                     | \$ 3.11                                     | \$ (0.85)                                     |
| Cash dividends per share  | \$ 0.80                                     | \$  | \$  | \$  |
| <b>Selected financial ratios</b>  |   |   |   |   |
| Losses and loss expenses ratio(4)   | 61.5%                                       | 33.1%                                       | 29.8%                                       |   |
| Policy acquisition cost ratio(5)  | 18.7%                                       | 15.6%                                       | 11.8%                                       |   |
| General and administrative expense ratio(6)                                       | 12.0%                                       | 13.3%                                       | 15.1%                                       |   |
| Expense ratio(7)  | 30.7%                                       | 28.9%                                       | 26.9%                                       |   |
| Combined ratio(8)   | 92.2%                                       | 62.0%                                       | 56.7%                                       |   |
| Return on average equity(9)   | 2.7%  | 26.9%                                       | 17.0%                                       | NM  |

The following table sets forth summarized balance sheet data as of December 31, 2008, 2007 and 2006:

|   | <b>As of<br/>December 31,<br/>2008</b> | <b>As of<br/>December 31,<br/>2007</b> | <b>As of<br/>December 31,<br/>2006</b> |
|---|--|--|--|
| <b>(Dollars in thousands, except share and per share amounts)</b> |  |  |  |
| <b>Summary Balance Sheet Data:</b>                                |  |  |  |
| Investments at fair value   | \$ 2,831,537                           | \$ 2,662,021                           | \$ 1,376,387                           |
| Cash and cash equivalents   | 449,848                                | 444,698                                | 63,643                                 |
| Total assets  | 4,322,480                              | 4,144,224                              | 1,646,423                              |
| Reserve for losses and loss expenses                              | 1,305,303                              | 926,117                                | 77,363                                 |
| Unearned premiums   | 539,450                                | 557,344                                | 178,824                                |
| Junior subordinated deferrable debentures                         | 304,300                                | 350,000                                | 150,000                                |
| Total liabilities   | 2,383,746                              | 2,209,424                              | 453,900                                |
| Total shareholders' equity  | 1,938,734                              | 1,934,800                              | 1,192,523                              |
| Book value per common share(10)                                   | 25.64                                  | 26.08                                  | 20.39                                  |
| Diluted book value per common share(11)                           | 23.78                                  | 24.00                                  | 19.73                                  |

NM Not meaningful

- (1) General and administrative expenses for the years ended December 31, 2007 and 2006 include \$4,000,000 and \$1,000,000 respectively, related to our Advisory Agreement with Aquiline. Our Advisory Agreement with Aquiline terminated upon completion of our IPO, in connection with which Validus recorded general and administrative expense of \$3,000,000 in the year ended December 31, 2007.
- (2) Validus has early adopted FAS 157 and FAS 159 as of January 1, 2007 and elected the fair value option on all securities previously accounted for as available-for-sale. Unrealized gains and losses on available-for-sale investments at December 31, 2006 of \$875,000, previously included in accumulated other comprehensive income, were treated as a cumulative-effect adjustment as of January 1, 2007. The cumulative-effect adjustment transferred the balance of unrealized gains and losses from accumulated other comprehensive income to retained earnings and has no impact on the results of operations for the annual

-24-

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**Table of Contents**

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

- (3) FAS 123R 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. On March 1, 2007 we effected a 1.75 for one reverse stock split of our outstanding common shares. The stock split does not affect our financial statements other than to the extent it decreases the number of outstanding shares and correspondingly increases per share information for all periods presented. The share consolidation has been reflected retroactively in these financial statements.
- (4) The loss and loss expense ratio is calculated by dividing losses and loss expenses by net premiums earned.
- (5) The policy acquisition cost ratio is calculated by dividing policy acquisition costs by net premiums earned.
- (6) The general and administrative expense ratio is calculated by dividing the sum of general and administrative expenses and share compensation expenses by net premiums earned. The general and administrative expense ratio for the year ended December 31, 2007 is calculated by dividing the total of general and administrative expenses plus share compensation expenses less the \$3,000,000 Aquiline termination fee by net premiums earned.
- (7) The expense ratio is calculated by combining the policy acquisition cost ratio and the general and administrative expense ratio.
- (8) The combined ratio is calculated by combining the loss ratio, the policy acquisition cost ratio and the general and administrative expense ratio.
- (9) Return on average equity is calculated by dividing the net income for the period by the average shareholders equity during the period. Annual average shareholders equity is the average of the beginning, ending and intervening quarter end shareholders equity balances.
- (10) Book value per common share is defined as total shareholders equity divided by the number of common shares outstanding as at the end of the period, giving no effect to dilutive securities.
- (11) Diluted book value per common share is calculated based on total shareholders equity plus the assumed proceeds from the exercise of outstanding options and warrants, divided by the sum of common shares, unvested restricted shares, options and warrants out-standing (assuming their exercise). Diluted book value per common share is a Non-GAAP financial measure as described under Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Financial Measures in the Validus 10-K.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF IPC**

The following disclosure is taken from IPC's annual report on Form 10-K for the year ended December 31, 2008, except in respect of diluted book value per common share (as discussed in footnote 5 below). See *Sources of Additional Information* above.

Set forth below is certain selected historical consolidated financial data relating to IPC. The financial data has been derived from IPC's annual report on Form 10-K for the year ended December 31, 2008. 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 IPC's annual report on Form 10-K for the year ended December 31, 2008, which is incorporated by reference into this proxy statement. More comprehensive financial information, including

Management's Discussion and Analysis of Financial Condition and Results of Operations, is contained in other documents filed by IPC with the SEC, and the following summary is qualified in its entirety by reference to such other documents and all of the financial information and notes contained in those documents. See *Where You Can Find More Information* on page 104.

|  | <b>Year Ended December 31,</b>                 |             |             |              |             |
|--|--|-------------|-------------|--------------|-------------|
|  | <b>2008</b>                                    | <b>2007</b> | <b>2006</b> | <b>2005</b>  | <b>2004</b> |
|  | <b>(In thousand, except per share amounts)</b> |             |             |              |             |
| <b>Statement of Income</b>                     |  |             |             |              |             |
| <b>(Loss) Data:</b>                            |  |             |             |              |             |
| Gross premiums written                         | \$ 403,395                                     | \$ 404,096  | \$ 429,851  | \$ 472,387   | \$ 378,409  |
| Net premiums earned                            | 387,367  | 391,385     | 397,132     | 452,522      | 354,882     |
| Net investment income                          | 94,105   | 121,842     | 109,659     | 71,757       | 51,220      |
| Net (losses) gains on investments              | (168,208)                                      | 67,555      | 12,085      | (10,556)     | 5,946       |
| Other income                                   | 65   | 1,086       | 3,557       | 5,234        | 4,296       |
| Net loss and loss adjustment expenses incurred | 155,632  | 124,923     | 58,505      | 1,072,662    | 215,608     |
| Net acquisition costs                          | 36,429   | 39,856      | 37,542      | 39,249       | 37,682      |
| General and administrative expenses            | 26,314   | 30,510      | 34,436      | 27,466       | 23,151      |
| Interest expense                               | 2,659  |             |             |              |             |
| Net foreign exchange loss (gain)               | 1,848  | 1,167       | (2,635)     | 2,979        | 1,290       |
| Net income (loss)                              | \$ 90,447                                      | \$ 385,412  | \$ 394,585  | \$ (623,399) | \$ 138,613  |
| Preferred dividend                             | 14,939   | 17,128      | 17,176      | 2,664        |             |
| Net income (loss), available to common         | \$ 75,508                                      | \$ 368,284  | \$ 377,409  | \$ (626,063) | \$ 438,613  |

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|   |    |            |    |            |    |            |    |            |    |            |
|---|----|------------|----|------------|----|------------|----|------------|----|------------|
| shareholders                                    |    |            |    |            |    |            |    |            |    |            |
| Net income (loss) per<br>common share(1)        | \$ | 1.45       | \$ | 5.53       | \$ | 5.54       | \$ | (12.30)    |    | 2.87       |
| Weighted average<br>shares outstanding(1)       |    | 59,301,939 |    | 69,728,229 |    | 71,212,287 |    | 50,901,296 |    | 48,376,865 |
| Cash dividend per<br>common share               | \$ | 0.88       | \$ | 0.80       | \$ | 0.64       | \$ | 0.88       | \$ | 0.88       |
| <b>Other Data:</b>                              |    |            |    |            |    |            |    |            |    |            |
| Loss and loss<br>adjustment expense<br>ratio(2) |    | 40.2%      |    | 31.9%      |    | 14.7%      |    | 237.0%     |    | 60.8%      |
| Expense ratio(2)                                |    | 16.2%      |    | 18.0%      |    | 18.1%      |    | 14.8%      |    | 17.1%      |
| Combined ratio(2)                               |    | 56.4%      |    | 49.9%      |    | 32.8%      |    | 251.8%     |    | 77.9%      |
| Return on average<br>equity(3)                  |    | 4.2%       |    | 20.1%      |    | 24.0%      |    | (38.0)%    |    | 8.6%       |

-26-

**Table of Contents**

|   | <b>Year Ended December 31,</b>                 |              |              |              |              |
|---|--|--------------|--------------|--------------|--------------|
|   | <b>2008</b>                                    | <b>2007</b>  | <b>2006</b>  | <b>2005</b>  | <b>2004</b>  |
|   | <b>(In thousand, except per share amounts)</b> |              |              |              |              |
| <b>Balance Sheet Data (at end of period):</b>   |  |              |              |              |              |
| Total cash and investments                      | \$ 2,235,187                                   | \$ 2,473,244 | \$ 2,485,525 | \$ 2,560,146 | \$ 1,901,094 |
| Reinsurance premiums receivable                 | 108,033  | 91,393       | 113,811      | 180,798      | 85,086       |
| Total assets                                    | 2,388,688                                      | 2,627,691    | 2,645,429    | 2,778,281    | 2,028,290    |
| Reserve for losses and loss adjustment expenses | 355,893  | 395,245      | 548,627      | 1,072,056    | 274,463      |
| Unearned premiums                               | 85,473   | 75,980       | 80,043       | 66,311       | 68,465       |
| Total liabilities                               | 537,741  | 501,946      | 654,474      | 1,161,881    | 359,851      |
| Total shareholders' equity                      | \$ 1,850,947                                   | \$ 2,125,745 | \$ 1,990,955 | \$ 1,616,400 | \$ 1,668,439 |
| Diluted book value per common share(4)          | \$ 32.85(5)                                    | \$ 32.42     | \$ 27.94     | \$ 22.26     | \$ 34.44     |

- (1) Net income per common share is calculated upon the weighted average number of common shares outstanding during the relevant year. The weighted average number of shares includes common shares and the dilutive effect of employee stock options and stock grants, using the treasury stock method and convertible preferred shares. The net loss per common share for the year ended December 31, 2005 is calculated on the weighted average number of shares outstanding during the year, excluding the anti-dilutive effect of employee stock options, stock grants and convertible preferred shares. The net income per common share for the year ended December 31, 2008 is calculated on the weighted average number of shares outstanding during the year, excluding the anti-dilutive effect of stock-based compensation and convertible preferred shares.
- (2) The loss and loss adjustment expense ratio is calculated by dividing the net losses and loss expenses incurred by the net premiums earned. The expense ratio is calculated by dividing the sum of acquisition costs and general and administrative expenses by net premiums earned. The combined ratio is the sum of the loss and loss expense ratio and the expense ratio.
- (3) Return on average equity is calculated as the annual net income (loss), available to common shareholders divided by the average of the common shareholders' equity, which is total shareholders' equity, excluding convertible preferred shares, on the first and last day of the respective year.
- (4) Diluted book value per common share is calculated as shareholders' equity divided by the number of common shares outstanding on the balance sheet date, after considering the dilutive effects of stock-based compensation, calculated using the treasury stock method. At December 31, 2008 the average weighted number of shares outstanding, including the dilutive effect of employee stock-based compensation and convertible preferred shares (which were converted on November 15, 2008) using the treasury stock method was 59,301,939.
- (5) IPC reported diluted book value per common share as \$33.07 in its annual report on Form 10-K for the year ended December 31, 2008 and amended it to \$32.85 in the first amendment to the IPC/Max S-4.

**Table of Contents****UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION**

You should read the following unaudited condensed consolidated pro forma financial information in conjunction with the Validus 10-K and IPC's annual report on Form 10-K for the year ended December 31, 2008. The following unaudited condensed consolidated pro forma financial information for the year ended December 31, 2008 is intended to provide you with information about how the Acquisition of IPC might have affected the historical financial statements of Validus if the Acquisition had been consummated as of December 31, 2008. For a summary of the proposed business combination contemplated by the Acquisition, see the section of this proxy statement entitled *The Acquisition*. The unaudited condensed consolidated pro forma financial information has been prepared using IPC's publicly available financial statements and disclosures, without the benefit of inspection of IPC's books and records. Therefore, 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 following unaudited condensed consolidated pro forma financial information 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 following table presents unaudited condensed consolidated pro forma balance sheet data at December 31, 2008 (expressed in thousands of U.S. dollars, except share and per share data).

|                                       | <b>Historical</b> |  | <b>Historical</b> | <b>Pro Forma</b>   |              |                     |
|---------------------------------------|-------------------|--|-------------------|--------------------|--------------|---------------------|
|                                       | <b>Validus</b>    |  | <b>IPC</b>        | <b>Purchase</b>    |              | <b>Pro Forma</b>    |
|                                       | <b>Holdings,</b>  |  | <b>Holdings,</b>  | <b>Adjustments</b> | <b>Notes</b> | <b>Consolidated</b> |
|                                       | <b>Ltd.</b>       |  | <b>Ltd.</b>       |                    |              |                     |
| <b>Assets</b>                         |                   |  |                   |                    |              |                     |
| Fixed maturities, at fair value       | \$ 2,454,501      |  | \$ 1,793,020      | \$                 |              | \$ 4,247,521        |
| Short-term investments, at fair value | 377,036           |  |                   |                    |              | 377,036             |
| Equity investments, at fair value     |                   |  | 365,147           |                    |              | 365,147             |
| Cash and cash equivalents             | 449,848           |  | 77,020            | (85,000)           | 3(a)         | 441,868             |
| Total investments and cash            | 3,281,385         |  | 2,235,187         | (85,000)           |              | 5,431,572           |
| Premiums receivable                   | 408,259           |  | 108,033           |                    |              | 516,292             |
| Deferred acquisition costs            | 108,156           |  | 9,341             |                    |              | 117,497             |
| Prepaid reinsurance premiums          | 22,459            |  | 2,165             |                    |              | 24,624              |
| Securities lending collateral         | 98,954            |  |                   |                    |              | 98,954              |
| Loss reserves recoverable             | 208,796           |  | 2,771             |                    |              | 211,567             |
| Paid losses recoverable               | 1,388             |  |                   |                    |              | 1,388               |
| Net receivable for investments sold   | 490               |  |                   |                    |              | 490                 |
| Accrued investment income             | 20,433            |  | 27,717            |                    |              | 48,150              |
| Current taxes recoverable             | 1,365             |  |                   |                    |              | 1,365               |
| Intangible assets                     | 127,217           |  |                   |                    |              | 127,217             |
| Goodwill                              | 20,393            |  |                   |                    |              | 20,393              |



|                     |                     |                     |                    |                     |
|---------------------|---------------------|---------------------|--------------------|---------------------|
| Other assets        | 23,185              | 3,474               |                    | 26,659              |
| <b>Total assets</b> | <b>\$ 4,322,480</b> | <b>\$ 2,388,688</b> | <b>\$ (85,000)</b> | <b>\$ 6,626,168</b> |

**Table of Contents**

|  | <b>Historical</b>             |                                      | <b>Pro Forma</b>            |                  |                               |
|--|-------------------------------|--------------------------------------|-----------------------------|------------------|-------------------------------|
|  | <b>Validus Holdings, Ltd.</b> | <b>Historical IPC Holdings, Ltd.</b> | <b>Purchase Adjustments</b> | <b>Notes</b>     | <b>Pro Forma Consolidated</b> |
| <b>Liabilities</b>                                     |                               |                                      |                             |                  |                               |
| Unearned premiums                                      | \$ 539,450                    | \$ 85,473                            |                             |                  | \$ 624,923                    |
| Reserve for losses and loss expense                    | 1,305,303                     | 355,893                              |                             |                  | 1,661,196                     |
| Reinsurance balances payable                           | 33,042                        | 628                                  |                             |                  | 33,670                        |
| Deferred taxation                                      | 21,779                        |                                      |                             |                  | 21,779                        |
| Securities lending payable                             | 105,688                       |                                      |                             |                  | 105,688                       |
| Bank loan payable                                      |                               | 75,000                               |                             |                  | 75,000                        |
| Accounts payable and accrued expenses                  | 74,184                        | 20,747                               |                             |                  | 94,931                        |
| Debentures payable                                     | 304,300                       |                                      |                             |                  | 304,300                       |
| <b>Total liabilities</b>                               | <b>2,383,746</b>              | <b>537,741</b>                       |                             |                  | <b>2,921,487</b>              |
| <b>Shareholders equity</b>                             |                               |                                      |                             |                  |                               |
| Ordinary shares  | 13,235                        | 561                                  | 11,328                      | 3(a), 3(b), 3(c) | 25,124                        |
| Additional paid-in capital                             | 1,412,635                     | 1,089,002                            | 591,431                     | 3(a), 3(b), 3(c) | 3,093,068                     |
| Accumulated other comprehensive loss                   | (7,858)                       | (876)                                | 876                         | 3(c)             | (7,858)                       |
| Retained earnings                                      | 520,722                       | 762,260                              | (688,635)                   | 3(a), 3(c), 3(e) | 594,347                       |
| Total shareholders equity                              | 1,938,734                     | 1,850,947                            | (85,000)                    |                  | 3,704,681                     |
| Total liabilities and shareholders equity              | \$ 4,322,480                  | \$ 2,388,688                         | \$ (85,000)                 |                  | \$ 6,626,168                  |
| Common shares outstanding                              | 75,624,697                    | 55,943,297                           | 67,338,947                  |                  | 142,963,644                   |
| Common shares and common share equivalents outstanding | 90,091,403                    | 56,440,530                           | 67,937,467                  |                  | 158,028,870                   |
| Book value per share                                   | \$ 25.64                      | \$ 33.09                             |                             | 7                | \$ 25.91                      |
| Diluted book value per share                           | \$ 23.78                      | \$ 32.79                             |                             | 7                | \$ 24.73                      |
| Diluted tangible book value per share                  | \$ 22.14                      | \$ 32.79                             |                             |                  | \$ 23.80                      |

-29-

**Table of Contents**

The following table sets forth unaudited condensed consolidated pro forma results of operations for the year ended December 31, 2008 (expressed in thousands of U.S. dollars, except share and per share data):

|  | <b>Historical<br/>Validus<br/>Holdings,<br/>Ltd.</b> | <b>Historical<br/>IPC<br/>Holdings,<br/>Ltd.</b> | <b>Pro Forma<br/>Purchase<br/>Adjustments</b> | <b>Notes</b> | <b>Pro Forma<br/>Consolidated</b> |
|--|--|--|---|--------------|-----------------------------------|
| <b>Revenues</b>                                    |  |  |   |              |                                   |
| Gross premiums written                             | \$ 1,362,484   | \$ 403,395                                       | \$ (251)                                      | 3(d)         | \$ 1,765,628                      |
| Reinsurance premiums ceded                         | (124,160)  | (6,122)  | 251   | 3(d)         | (130,031)                         |
| Net premiums written                               | 1,238,324  | 397,273  |   |              | 1,635,597                         |
| Change in unearned premiums                        | 18,194   | (9,906)  |   |              | 8,288                             |
| Net premiums earned                                | 1,256,518  | 387,367  |   |              | 1,643,885                         |
| Net investment income                              | 139,528  | 94,105   | (2,438)                                       | 3(a)         | 231,195                           |
| Realized gain on repurchase of debentures          | 8,752  |  |   |              | 8,752                             |
| Net realized (losses) gains on investments         | (1,591)  | (168,208)  |   |              | (169,799)                         |
| Net unrealized (losses) gains on investments       | (79,707)   |  |   |              | (79,707)                          |
| Other income                                       | 5,264  | 65   |   |              | 5,329                             |
| Foreign exchange gains (losses)                    | (49,397)   | (1,848)  |   |              | (51,245)                          |
| <b>Total revenues</b>                              | <b>1,279,367</b>                                     | <b>311,481</b>                                   | <b>(2,438)</b>                                |              | <b>1,588,410</b>                  |
| <b>Expenses</b>                                    |  |  |   |              |                                   |
| Losses and loss expense                            | 772,154  | 155,632  |   |              | 927,786                           |
| Policy acquisition costs                           | 234,951  | 36,429   |   |              | 271,380                           |
| General and administrative expenses                | 123,948  | 20,689   |   |              | 144,637                           |
| Share compensation expense                         | 27,097   | 5,625  |   |              | 32,722                            |
| Finance expenses                                   | 57,318   | 2,659  |   |              | 59,977                            |
| <b>Total expenses</b>                              | <b>(1,215,468)</b>                                   | <b>(221,034)</b>                                 |   |              | <b>(1,436,502)</b>                |
| <b>Income before taxes</b>                         | <b>63,899</b>  | <b>90,447</b>                                    | <b>(2,438)</b>                                |              | <b>151,908</b>                    |
| Income tax expense                                 | (10,788)   |  |   |              | (10,788)                          |
| <b>Income before taxes</b>                         | <b>\$ 53,111</b>                                     | <b>\$ 90,447</b>                                 | <b>\$ (2,438)</b>                             |              | <b>\$ 141,120</b>                 |
| Preferred dividend and warrant dividend            | 6,947  | 14,939   | (14,939)                                      | 3(f)         | 6,947                             |
| <b>Net income available to common shareholders</b> | <b>\$ 46,164</b>                                     | <b>\$ 75,508</b>                                 | <b>\$ 12,501</b>                              |              | <b>\$ 134,173</b>                 |

**Earnings per share**

Weighted average number of  
common shares and common  
share equivalents outstanding

|                            |            |            |            |   |             |
|----------------------------|------------|------------|------------|---|-------------|
| Basic                      | 74,677,903 | 52,124,034 | 67,338,947 |   | 142,016,850 |
| Diluted                    | 75,819,413 | 59,301,939 | 67,937,467 |   | 143,756,880 |
| Basic earnings per share   | \$ 0.62    | \$ 1.45    |            | 6 | \$ 0.94     |
| Diluted earnings per share | \$ 0.61    | \$ 1.45    |            | 6 | \$ 0.93     |

-30-

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**Table of Contents**

**Validus Holdings, Ltd.**

**Notes To Unaudited Condensed Consolidated Pro Forma Financial Statements (unaudited)  
(Expressed in thousands of U.S. dollars, except share and per share data)**

**1. Basis of Presentation**

The unaudited condensed consolidated pro forma financial information gives effect to the proposed Acquisition as if it had occurred at December 31, 2008 for the purposes of the unaudited condensed consolidated pro forma balance sheet and at January 1, 2008 for the purposes of the unaudited condensed consolidated pro forma statement of operations for the year ended December 31, 2008. The unaudited condensed consolidated pro forma financial information has been prepared by Validus management and is based on Validus historical consolidated financial statements and IPC's historical consolidated financial statements. Certain amounts from IPC's historical consolidated financial statements have been reclassified to conform to the Validus presentation. The unaudited condensed consolidated pro forma financial statements have been prepared using IPC's publicly available financial statements and disclosures, without the benefit of inspection of IPC's books and records or discussion with the IPC management team. Therefore, 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. Additional reclassifications of IPC data to conform to the Validus presentation may also be required.

This unaudited condensed consolidated pro forma financial information is prepared in conformity with US GAAP. The unaudited condensed consolidated pro forma balance sheet as of December 31, 2008 and the unaudited condensed consolidated pro forma statement of operations for the year ended December 31, 2008 have been prepared using the following information:

- (a) Audited historical consolidated financial statements of Validus as of December 31, 2008 and for the year ended December 31, 2008;
- (b) Audited historical consolidated financial statements of IPC as of December 31, 2008 and for the year ended December 31, 2008;
- (c) Such other known supplementary information as considered necessary to reflect the Acquisition in the unaudited condensed consolidated pro forma financial information.

The pro forma adjustments reflecting the Acquisition of IPC under the purchase method of accounting are based on certain estimates and assumptions. The unaudited condensed consolidated pro forma adjustments may be revised as additional information becomes available. The actual adjustments upon consummation of the Acquisition and the allocation of the final purchase price of IPC will depend on a number of factors, including additional financial information available at such time, changes in values and changes in IPC's operating results between the date of preparation of this unaudited condensed consolidated pro forma financial information and the effective date of the Acquisition. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the differences may be material. Validus management believes that its assumptions provide a reasonable basis for presenting all of the significant effects of the transactions contemplated based on information available to Validus at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited condensed consolidated pro forma financial information.

The unaudited condensed consolidated pro forma financial information does not include any financial benefits, revenue enhancements or operating expense efficiencies arising from the Acquisition. In addition, the unaudited condensed consolidated pro forma financial information does not include any additional expenses that may result from

the IPC Acquisition. Estimated costs of the transaction as well as the benefit of the negative goodwill have been reflected in the unaudited condensed consolidated pro forma balance sheets, but have not been included on the pro forma income statement due to their non-recurring nature.

The unaudited condensed consolidated pro forma financial information is not intended to reflect the results of operations or the financial position that would have resulted had the Acquisition been effected on

**Table of Contents**

**Validus Holdings, Ltd.**

**Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

the dates indicated and if the companies had been managed as one entity. The unaudited condensed consolidated pro forma financial information should be read in conjunction with Validus' Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission.

**2. Recent Accounting Pronouncements**

In December 2007, the FASB issued Statement No. 141(R), Business Combinations ( FAS 141(R) ) which is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. On April 1, 2009 the FASB finalized and issued FSP FAS 141(R)-1 which amended and clarified FAS 141(R) and is effective for business combinations whose acquisition date is on or after January 1, 2009.

FSP FAS 141(R)-1 has amended FAS 141(R)'s guidance on the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets acquired and liabilities assumed in a business combination that arise from contingencies.

Significant changes arising from FAS 141(R) and FSP FAS 141(R)-1 and impacting these pro forma financial statements include the determination of the purchase price, treatment of transaction expenses, restructuring costs and negative goodwill as follows:

**Purchase Price** Previously, the date the business combination was announced could be used as the effective date in determining the purchase price. Under FAS 141(R), the purchase price is determined as of the acquisition date, which is the date that the acquirer obtains control;

**Transaction Expenses** Previously, costs associated with purchase transactions could be capitalized and included as part of transaction purchase price, adding to the amount of goodwill recognized. Under FAS 141(R), all such costs must be expensed as incurred;

**Restructuring Costs** Previously, restructuring costs that were planned to occur after the closing of the transaction were recognized and recorded at the closing date as a liability. Under FAS 141(R), expected restructuring costs are not recorded at the closing date, but rather after the transaction. The only costs to be included as a liability at the closing date, and therefore included as transaction costs, are those for which an acquirer is obligated at the time of the closing; and

**Negative Goodwill/Bargain Purchases** Previously, if the total fair value of net assets acquired (assets less liabilities assumed) exceeded the consideration paid, there was a pro rata reduction of the assets assumed to allow the net assets acquired to equal the consideration paid. Under FAS 141(R), instead of allocating this negative goodwill to reduce the carrying value of assets assumed, the acquirer will book a gain as a result of the bargain purchase, to be recognized through the income statement at the close of the transaction.

**3. Purchase adjustments**

On March 31, 2009, Validus announced that it delivered an offer letter (the Offer Letter ) to the Board of Directors of IPC Holdings, Ltd. ( IPC ) pursuant to which Validus and IPC would amalgamate (the Amalgamation ) in a share-for-share exchange valuing IPC Shares at an 18.0% premium to IPC 's closing market price on March 30, 2009, subject to the terms and conditions set forth in the Offer Letter and in an Agreement and Plan of Amalgamation (the Amalgamation Agreement ) that was signed by Validus and delivered to IPC with the Offer Letter.

Validus proposed an amalgamation with IPC at an exchange ratio of 1.2037 Validus Shares per outstanding IPC Share, providing a value per IPC Share of \$29.98 or an 18.0% premium to IPC 's closing share price as of March 30, 2009 (the date immediately preceding the deliverance of the Offer Letter).



**Table of Contents****Validus Holdings, Ltd.****Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

The Board of Directors of Validus has unanimously approved the submission of its offer and the delivery of the signed Amalgamation Agreement so that, upon a termination of IPC's Agreement and Plan of Amalgamation with Max Capital Group Ltd., dated as of March 1, 2009 and amended as of March 5, 2009 (the Max Plan of Amalgamation), IPC will be able to sign the Amalgamation Agreement with the certainty of an agreed transaction. Validus' offer is structured as a tax-free share-for-share transaction and does not require any external financing. It is not conditioned on due diligence. As of the date of this proxy statement, we have not withdrawn our offer, but have reserved the right to do so.

On April 30, 2009, Validus announced a three-part plan to acquire IPC. The three-part plan, involves (1) soliciting IPC shareholders to vote against the Proposed Max Amalgamation, (2) commencing an exchange offer for all IPC Shares and (3) petitioning the Supreme Court of Bermuda to approve a Scheme of Arrangement under Bermuda Law. In connection with the IPC Acquisition, transaction costs currently estimated at \$35,000 will be incurred and expensed. Of this amount, \$15,000 relates to Validus expenses as set forth in The Amalgamation Sources of Funds, Fees and Expenses and \$20,000 is our estimate of IPC's expenses based on the IPC/Max S-4. In addition, upon termination of IPC's Agreement and Plan of Amalgamation with Max Capital Group Ltd., a break-up fee of \$50,000 (the Max Termination Fee) will be incurred and expensed.

As discussed above, these pro forma purchase adjustments are based on certain estimates and assumptions made as of the date of the unaudited condensed consolidated pro forma financial information. The actual adjustments will depend on a number of factors, including changes in the estimated fair value of net balance sheet assets and operating results of IPC between December 31, 2008 and the effective date of the Acquisition. Validus expects to make such adjustments at the effective date of the Acquisition. These adjustments are likely to be different from the adjustments made to prepare the unaudited condensed consolidated pro forma financial information and such differences may be material.

The share prices for both Validus and IPC used in determining the preliminary estimated purchase price are based on the closing share prices on March 30, 2009 (the date immediately preceding the deliverance of the Offer Letter). The preliminary total purchase price is calculated as follows:

**Calculation of Total Purchase Price**

|   |              |
|---|--------------|
| IPC common shares outstanding as of February 23, 2009                   | 55,943,297   |
| IPC Shares issued pursuant to option exercises                          | 3,818        |
| IPC Shares issued following vesting of restricted shares, RSUs and PSUs | 493,415      |
| Total IPC common shares prior to transaction                            | 56,440,530   |
| Exchange ratio  | 1.2037       |
| Total Validus common shares to be issued                                | 67,937,467   |
| Validus closing share price on March 30, 2009                           | \$ 24.91     |
| Total purchase price(a)   | \$ 1,692,322 |

The allocation of the purchase price is as follows:

**Allocation of Purchase Price**

|                             |              |
|-----------------------------|--------------|
| IPC shareholders' equity(b) | \$ 1,850,947 |
| Total purchase price        | \$ 1,692,322 |
| Negative goodwill (a - b)   | \$ 158,625   |

- (a) In connection with the IPC Acquisition, 67,937,467 shares are expected to be issued resulting in additional share capital of \$11,889 and Additional Paid-In Capital of \$1,680,433.

In addition, transaction costs currently estimated at \$35,000 and the Max Termination Fee of \$50,000 will be incurred and expensed by the consolidated entity. Based on an expected investment return of 3.75%, investment income of \$2,438 would have been foregone during 2008 had these payments been made.

**Table of Contents****Validus Holdings, Ltd.****Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

- (b) Employees of IPC hold 526,000 options to purchase IPC Shares. These options would vest upon a change in control, and would be exercisable. The exercise price range of these options is from \$13 to \$49, with a weighted average of \$34.31. It is expected that 3,818 net shares would be issued upon exercise of these options.
- (c) Elimination of IPC's Ordinary Shares of \$561, Additional Paid in Capital of \$1,089,002, Accumulated Other Comprehensive Loss of \$876 and Retained Earnings of \$762,260.
- (d) A related party balance of \$251 representing reinsurance ceded to IPC by Validus was eliminated from gross premiums written and reinsurance ceded. These policies were fully earned and expensed respectively at year end and had no other effect on the pro forma financial statements.
- (e) The unaudited condensed consolidated pro forma financial statements have been prepared using IPC's publicly available financial statements and disclosures, without the benefit of inspection of IPC's books and records. Therefore, the carrying value of assets and liabilities in IPC's financial statements are considered to be a proxy for fair value of those assets and liabilities, with the difference between the net assets and the total purchase price considered to be negative goodwill. In addition, 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 pro forma consolidated financial statements. In December 2007, the Financial Accounting Standards Board (FASB) issued Statement No. 141(R), Business Combinations (FAS 141(R)). This Statement defines a bargain purchase as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer. Negative goodwill of \$158,625 has been recorded as a credit to retained earnings as upon completion of the amalgamation negative goodwill will be treated as a gain in the consolidated statement of operations.
- (f) On November 15, 2008, IPC's 9,000,000 Series A Mandatory Convertible preferred shares automatically converted pursuant to their terms into 9,129,600 common shares. Therefore, dividends of \$14,939 on these preferred shares of IPC have been eliminated from the unaudited pro forma results of operations.

**4. Gross Premiums Written**

The following table sets forth the gross premiums written by Validus, IPC and pro forma combined:

| <b>Validus Re</b>        | <b>Validus</b> | <b>IPC(a)</b> | <b>Purchase<br/>Adjustments</b> | <b>Combined</b> |
|--------------------------|----------------|---------------|---------------------------------|-----------------|
| Property Cat XOL(b)      | \$ 328,216     | \$ 333,749    | \$                              | \$ 661,965      |
| Property Per Risk XOL    | 54,056         | 10,666        |                                 | 64,722          |
| Property Proportional(c) | 110,695        |               |                                 | 110,695         |
| Marine                   | 117,744        |               |                                 | 117,744         |
| Aerospace                | 39,323         | 18,125        | (151)                           | 57,297          |

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|                                 |                |                |              |                  |
|---------------------------------|----------------|----------------|--------------|------------------|
| Life and A&H                    | 1,009          |                |              | 1,009            |
| Financial Institutions          | 4,125          |                |              | 4,125            |
| Other                           |                | 8,318          | (100)        | 8,218            |
| Terrorism                       | 25,502         |                |              | 25,502           |
| Workers Comp                    | 7,101          |                |              | 7,101            |
| <b>Total Validus Re Segment</b> | <b>687,771</b> | <b>370,858</b> | <b>(251)</b> | <b>1,058,378</b> |

-34-

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**Table of Contents****Validus Holdings, Ltd.****Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

| <b>Validus Re</b>                            | <b>Validus</b>      | <b>IPC(a)</b>     | <b>Purchase<br/>Adjustments</b> | <b>Combined</b>     |
|--|---------------------|-------------------|---------------------------------|---------------------|
| <b>Talbot</b>                                |                     |                   |                                 |                     |
| Property                                     | 152,143             |                   |                                 | 152,143             |
| Marine                                       | 287,694             |                   |                                 | 287,694             |
| Aviation & Other                             | 40,028              |                   |                                 | 40,028              |
| Accident & Health                            | 18,314              |                   |                                 | 18,314              |
| Financial Institutions                       | 42,263              |                   |                                 | 42,263              |
| War  | 128,693             |                   |                                 | 128,693             |
| Contingency                                  | 22,924              |                   |                                 | 22,924              |
| Bloodstock                                   | 16,937              |                   |                                 | 16,937              |
| <b>Total Talbot Segment</b>                  | <b>708,996</b>      |                   |                                 | <b>708,996</b>      |
| <b>Intersegment revenue</b>                  |                     |                   |                                 |                     |
| Property                                     | (21,724)            |                   |                                 | (21,724)            |
| Marine                                       | (8,543)             |                   |                                 | (8,543)             |
| Specialty                                    | (4,016)             |                   |                                 | (4,016)             |
| <b>Total Intersegment Revenue Eliminated</b> | <b>(34,283)</b>     |                   |                                 | <b>(34,283)</b>     |
| <b>Adjustments for reinstatement premium</b> |                     |                   | <b>32,537</b>                   | <b>32,537</b>       |
| <b>Total</b>                                 | <b>\$ 1,362,484</b> | <b>\$ 403,395</b> | <b>\$ (251)</b>                 | <b>\$ 1,765,628</b> |

(a) For IPC, this includes annual (deposit) and adjustment premiums. Excludes reinstatement premiums of \$32,537 which are not classified by class of business by IPC.

(b) For Validus, Cat XOL is comprised of Catastrophe XOL, Aggregate XOL, RPP, Per Event XOL, Second Event and Third Event covers. For IPC, this includes Catastrophe XOL and Retrocessional.

(c) Proportional is comprised of Quota Share and Surplus Share.

**5. Selected ratios**

Selected ratios of Validus, IPC and pro forma combined are as follows:

| <b>Validus</b> | <b>IPC</b> | <b>Pro Forma<br/>combined</b> |
|----------------|------------|-------------------------------|
|----------------|------------|-------------------------------|

|  |       |       |       |
|--|-------|-------|-------|
| Losses and loss expenses ratios        | 61.5% | 40.2% | 56.4% |
| Policy acquisition costs ratios        | 18.7  | 9.4   | 16.5  |
| General and administrative cost ratios | 12.0  | 6.8   | 10.4  |
| Combined ratio                         | 92.2% | 56.4% | 83.4% |

(a) Factors affecting the Validus 2008 Loss Ratio

The loss ratio, which is defined as losses and loss expenses divided by net premiums earned, for the year ended December 31, 2008 was 61.5%. During the year ended December 31, 2008, the frequency and severity of worldwide losses that materially affected Validus loss ratio increased. During the year ended December 31, 2008, Validus incurred \$260,567 and \$22,141 of loss expense attributable to Hurricanes Ike and Gustav, which represent 20.7 and 1.8 percentage points of the loss ratio, respectively. Other notable loss events added \$45,895 of 2008 loss expense or 3.7 percentage points of the loss ratio bringing the

-35-

**Table of Contents**

**Validus Holdings, Ltd.**

**Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

total effect of aforementioned events on the 2008 loss ratio to 26.2 percentage points. Favorable loss development on prior years totaled \$69,702. Favorable loss reserve development benefited Validus' loss ratio for the year ended December 31, 2008 by 5.5 percentage points.

(b) Factors affecting the IPC 2008 Loss Ratio

The data in the following paragraph is taken from Management's Discussion and Analysis of Financial Condition and Results of Operations contained in IPC's Annual Report on Form 10-K for the year ended December 31, 2008. Such disclosure was not made in thousands of U.S. dollars, and the data has been reproduced here as it was originally presented.

IPC's loss ratio, which is defined as losses and loss expenses divided by net premiums earned, for the year ended December 31, 2008 was 40.2%. IPC incurred net losses and loss adjustment expenses of \$155.6 million for the year ended December 31, 2008. Total net losses for the year ended December 31, 2008 relating to the current year were \$206.6 million, while reductions to estimates of ultimate net loss for prior year events were \$50.9 million. During 2008, IPC's incurred losses included: \$23.0 million from the Alon Refinery explosion in Texas, a storm that affected Queensland, Australia, and Windstorm Emma that affected parts of Europe, which all occurred in the first quarter of 2008; \$10.5 million from the flooding in Iowa in June and tornadoes that affected the mid-west United States in May 2008; together with \$160.0 million from Hurricane Ike and \$7.6 million from Hurricane Gustav, which both occurred in September 2008. The impact on IPC's 2008 loss ratio from these events was 51.9 percentage points. The losses from these events were partly offset by reductions to IPC's estimates of ultimate loss for a number of prior year events, including \$11.0 million for Hurricane Katrina, \$18.6 million for the storm and flooding that affected New South Wales, Australia in 2007 and \$22.8 million for the floods that affected parts of the U.K. in June and July 2007. The cumulative \$52.4 million of favorable loss reserve development benefited the IPC's loss ratio for the year ended December 31, 2008 by 13.5 percentage points.

**6. Earnings per Common Share**

(a) Pro forma earnings per common share for the year ended December 31, 2008 has been calculated based on the estimated weighted average number of common shares outstanding on a pro forma basis, as described in 6(b) below. The historical weighted average number of common shares outstanding of Validus was 74,677,903 and 75,819,413 basic and diluted, respectively, for the year ended December 31, 2008.

(b) The pro forma weighted average number of common shares outstanding for the year ended December 31, 2008, after giving effect to the exchange of shares as if the acquisition shares had been issued and outstanding for the whole year, is 142,016,850 and 143,756,880, basic and diluted, respectively.

**Table of Contents****Validus Holdings, Ltd.****Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

(c) The following table sets forth the computation of basic and diluted earnings per share for the year ended December 31, 2008:

|   | <b>Historical<br/>Validus<br/>Holdings</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|--|-----------------------------------|
| Net income available to common shareholders               | \$ 46,164                                  | \$ 134,173                        |
| Weighted average shares basic ordinary shares outstanding | 74,677,903                                 | 142,016,850                       |
| Share equivalents   |  |                                   |
| Warrants  |  |                                   |
| Restricted Shares   | 1,004,809                                  | 1,598,733                         |
| Options   | 136,701                                    | 141,297                           |
| Weighted average shares diluted                           | 75,819,413                                 | 143,756,880                       |
| Basic earnings per share                                  | \$ 0.62                                    | \$ 0.94                           |
| Diluted earnings per share                                | \$ 0.61                                    | \$ 0.93                           |

**7. Book Value per Share**

Validus calculates diluted book value per share using the as-if-converted method, where all proceeds received upon exercise of warrants and stock options would be retained by Validus and the resulting common shares from exercise remain outstanding. In its public records, IPC calculates diluted book value per share using the treasury stock method, where proceeds received upon exercise of warrants and stock options would be used by IPC to repurchase shares from the market, with the net common shares from exercise remaining outstanding. Accordingly, for the purposes of the Pro Forma Condensed Consolidated Financial Statements and notes thereto, IPC's diluted book value per share has been recalculated based on the as-if-converted method to be consistent with Validus' calculation.



**Table of Contents****Validus Holdings, Ltd.****Notes To Unaudited Condensed Consolidated  
Pro Forma Financial Statements (unaudited) (Continued)**

The following table sets forth the computation of book value and diluted book value per share adjusted for the Amalgamation:

|   | <b>Historical<br/>Validus<br/>Holdings</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|--|-----------------------------------|
| <b>Book value per common share calculation</b>            |  |                                   |
| Total shareholders' equity                                | \$ 1,938,734                               | \$ 3,704,681                      |
| Shares  | 75,624,697                                 | 142,963,644                       |
| Book value per common share                               | \$ 25.64                                   | \$ 25.91                          |
| <b>Diluted book value per common share calculation</b>    |  |                                   |
| Total Shareholders' equity                                | \$ 1,938,734                               | \$ 3,704,681                      |
| Proceeds of assumed exercise of outstanding warrants      | \$ 152,315                                 | \$ 152,316                        |
| Proceeds of assumed exercise of outstanding stock options | \$ 51,043                                  | \$ 51,043                         |
| Unvested restricted shares                                |  |                                   |
|   | \$ 2,142,093                               | \$ 3,908,040                      |
| Shares  | 75,624,697                                 | 142,963,644                       |
| Warrants  | 8,680,149                                  | 8,680,149                         |
| Options   | 2,799,938                                  | 2,804,534                         |
| Unvested restricted shares                                | 2,986,619                                  | 3,580,543                         |
|   | 90,091,403                                 | 158,028,870                       |
| Diluted book value per common share                       | \$ 23.78                                   | \$ 24.73                          |

**8. Capitalization**

The following table sets forth the computation of debt to total capitalization and debt (excluding debentures payable) to total capitalization, adjusted for the Amalgamation:

|  | <b>Historical<br/>Validus<br/>Holdings</b> | <b>Pro Forma<br/>Consolidated</b> |
|--|--|-----------------------------------|
| <b>Total debt</b>                      |  |                                   |
| Bank loan payable                      | \$   | \$ 75,000                         |
| Borrowings drawn under credit facility |  |                                   |
| Debentures payable                     | 304,300                                    | 304,300                           |

|   |              |              |
|---|--------------|--------------|
| Total debt  | \$ 304,300   | \$ 379,300   |
| <b>Total capitalization</b>                                 |              |              |
| Total shareholders' equity                                  | \$ 1,938,734 | \$ 3,704,681 |
| Bank loan payable   |              | 75,000       |
| Borrowings drawn under credit facility                      |              |              |
| Debentures payable  | 304,300      | 304,300      |
| Total capitalization  | \$ 2,243,034 | \$ 4,083,981 |
| Total debt to total capitalization                          | 13.6%        | 9.3%         |
| Debt (excluding debentures payable) to total capitalization | 0.0%         | 1.8%         |

-38-

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**Table of Contents****COMPARATIVE PER SHARE DATA**

The IPC historical per share data is taken from the IPC/Max S-4. See *Sources of Additional Information* above. The pro forma combined data is taken from the *Unaudited Condensed Consolidated Pro Forma Financial Information* above.

The historical earnings per share, dividends, and book value of Validus and IPC shown in the table below are derived from their respective audited consolidated financial statements as of and for the year ended December 31, 2008. The unaudited pro forma comparative basic and diluted earnings per share data give effect to the Acquisition using the purchase method of accounting as if the Acquisition had been completed on January 1, 2008. The unaudited pro forma book value and diluted book value per share information was computed as if the Acquisition had been completed on December 31, 2008. You should read this information in conjunction with the historical financial information of Validus and of IPC included or incorporated elsewhere in this proxy statement, including Validus and IPC's financial statements and related notes. The unaudited pro forma data is not necessarily indicative of actual results had the Acquisition occurred during the period indicated. The unaudited pro forma data is not necessarily indicative of future operations of Validus.

|   | <b>Historical<br/>Validus</b>                 | <b>Historical<br/>IPC</b> | <b>Validus<br/>Pro forma</b> | <b>Equivalent<br/>Per IPC<br/>Share(2)</b> |
|---|---|---------------------------|------------------------------|--|
|   | <b>(For The Year Ended December 31, 2008)</b> |                           |                              |  |
| Basic earnings per common share             | \$ 0.62                                       | \$ 1.45                   | \$ 0.94                      | \$ 1.13                                    |
| Diluted earnings per common share(1)        | \$ 0.61                                       | \$ 1.45                   | \$ 0.93                      | \$ 1.12                                    |
| Cash dividends declared per common share    | \$ 0.80                                       | \$ 0.88                   | \$ 0.80                      | \$ 0.96                                    |
| Book value per common share (at period end) | \$ 25.64                                      | \$ 33.00                  | \$ 25.91                     | \$ 31.19                                   |
| Diluted book value per common share         | \$ 23.78                                      | \$ 32.85(3)               | \$ 24.73                     | \$ 29.77                                   |

- (1) Anti-dilution provisions apply to 2008. There is no effect of stock-based compensation and preference shares because they are anti-dilutive.
- (2) Equivalent per share amounts are calculated by multiplying Validus pro forma per share amounts by the exchange ratio of 1.2037.
- (3) IPC reported diluted book value per common share as \$33.07 in its annual report on Form 10-K for the year ended December 31, 2008 and amended it to \$32.85 in the amendment to the IPC/Max S-4.

**Table of Contents****COMPARATIVE MARKET PRICE AND DIVIDEND INFORMATION**

Validus' and IPC's common shares are quoted on the NYSE and NASDAQ, respectively, under the ticker symbol VR and IPCR, respectively. The following table sets forth the high and low closing prices per share of Validus common shares and IPC common shares for the periods indicated (commencing, in the case of Validus, from Validus' initial public offering on July 25, 2007) as reported on the consolidated tape of the NYSE or NASDAQ, as applicable, as well as cash dividends per common share, as reported in the Validus 10-K and IPC's annual report on Form 10-K for the year ended December 31, 2008, respectively, with respect to the years 2007 and 2008, and thereafter as reported in publicly available sources. The IPC dividend information was taken from the IPC/Max S-4. See *Sources of Additional Information* above.

|   | <b>High</b> | <b>Validus<br/>Low</b> | <b>Dividend</b> | <b>High</b> | <b>IPC<br/>Low</b> | <b>Dividend</b> |
|---|-------------|------------------------|-----------------|-------------|--------------------|-----------------|
| <b>Year ended</b>                             |             |                        |                 |             |                    |                 |
| <b>December 31, 2009</b>                      |             |                        |                 |             |                    |                 |
| First Quarter                                 | \$ 26.30    | \$ 21.25               | \$ 0.20         | \$ 30.25    | \$ 20.89           | \$ 0.22         |
| Second Quarter (through [            ], 2009) | \$          | \$                     | N/A             | \$          | \$                 | N/A             |
| <b>December 31, 2008</b>                      |             |                        |                 |             |                    |                 |
| First Quarter                                 | \$ 26.22    | \$ 23.00               | \$ 0.20         | \$ 28.25    | \$ 24.82           | \$ 0.22         |
| Second Quarter                                | \$ 23.72    | \$ 20.11               | \$ 0.20         | \$ 30.38    | \$ 26.55           | \$ 0.22         |
| Third Quarter                                 | \$ 24.70    | \$ 20.00               | \$ 0.20         | \$ 33.00    | \$ 26.58           | \$ 0.22         |
| Fourth Quarter                                | \$ 26.16    | \$ 14.84               | \$ 0.20         | \$ 29.90    | \$ 19.52           | \$ 0.22         |
| <b>Year ended December 31, 2007</b>           |             |                        |                 |             |                    |                 |
| First Quarter                                 | N/A         | N/A                    | N/A             | \$ 31.53    | \$ 27.82           | \$ 0.20         |
| Second Quarter                                | N/A         | N/A                    | N/A             | \$ 32.53    | \$ 28.57           | \$ 0.20         |
| Third Quarter                                 | \$ 25.28    | \$ 21.11               | N/A             | \$ 33.01    | \$ 24.01           | \$ 0.20         |
| Fourth Quarter                                | \$ 26.59    | \$ 24.73               | N/A             | \$ 30.13    | \$ 26.87           | \$ 0.20         |

The following table sets out the trading information for Validus common shares and IPC common shares on March 30, 2009, the last full trading day before Validus' announcement of delivery of the Validus Amalgamation Offer to the board of directors of IPC, and           , 2009, the last practicable trading day for which information was available before first mailing of this proxy statement.

|                | <b>Validus<br/>common share<br/>close</b> | <b>IPC<br/>common share<br/>close</b> | <b>Equivalent<br/>Validus<br/>Per-Share<br/>Amount</b> |
|----------------|---|---------------------------------------|--|
| March 30, 2009 | \$ 24.91                                  | \$ 25.41                              | \$ 29.98   |
| , 2009         | \$  | \$                                    | \$   |

Equivalent per-share amounts are calculated by multiplying Validus per-share amounts by the exchange ratio of 1.2037.



**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This proxy statement may include forward-looking statements, both with respect to Validus and its industry, that reflect Validus' current views with respect to future events and financial performance. Statements that include the words expect, intend, plan, believe, project, anticipate, will, may and similar statements of a future or future nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond our control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. Validus believes that these factors include, but are not limited to, the following: 1) uncertainty as to whether Validus will be able to enter into and to consummate the proposed Acquisition; 2) uncertainty as to the long-term value of Validus common shares; 3) unpredictability and severity of catastrophic events; 4) rating agency actions; 5) adequacy of Validus' or IPC's risk management and loss limitation methods; 6) cyclical nature of demand and pricing in the insurance and reinsurance markets; 7) Validus' limited operating history; 8) Validus' ability to implement its business strategy during soft as well as hard markets; 9) adequacy of Validus' or IPC's loss reserves; 10) continued availability of capital and financing; 11) retention of key personnel; 12) competition; 13) potential loss of business from one or more major insurance or reinsurance brokers; 14) Validus' or IPC's ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to develop accurate actuarial data to support the business and regulatory and reporting requirements; 15) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 16) the integration of Talbot or other businesses we may acquire or new business ventures Validus may start; 17) the effect on Validus' or IPC's investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; 18) acts of terrorism or outbreak of war; 19) availability of reinsurance and retrocessional coverage; 20) failure to realize the anticipated benefits of the proposed acquisition, including as a result of failure or delay in integrating the businesses of Validus and IPC; and 21) the outcome of litigation arising from Validus' offer for IPC, as well as management's response to any of the aforementioned factors.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the Risk Factors included in Validus' most recent reports on Form 10-K and Form 10-Q and the risk factors included in IPC's most recent reports on Form 10-K and Form 10-Q and other documents of Validus and IPC on file with the SEC. Any forward-looking statements made in this proxy statement are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Validus will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Validus or its business or operations. Except as required by law, Validus undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Table of Contents**

**RISK FACTORS**

*In addition to the other information included or incorporated by reference in this proxy statement (including the matters addressed under Forward-Looking Statements above), you should carefully consider the following risk factors before deciding whether to vote to approve the Share Issuance Proposal and the Adjournment Proposal. Each proposal is described in this proxy statement under Proposals to Be Submitted to Validus Shareholders Vote; Voting Requirements and Recommendations beginning on page 97. In addition to the risk factors set forth below, you should read and consider other risk factors specific to each of the Validus and IPC businesses that will also affect Validus after the Acquisition, described in Part I, Item 1A of each company's annual report on Form 10-K for the year ended December 31, 2008, and the other documents that have been filed with the SEC and all of which are incorporated by reference into this proxy statement. If any of the risks described below or in the reports incorporated by reference into this proxy statement actually occurs, the respective businesses, financial results, financial conditions, operating results or share prices of Validus or IPC could be materially adversely affected.*

**Risks Related to the Validus Amalgamation Offer**

*The Validus Amalgamation Offer remains subject to conditions that Validus cannot control.*

The Validus Amalgamation Offer is subject to a number of conditions, including the termination of the Max Amalgamation Agreement, receipt of regulatory approvals, receipt of amendments or waivers under Validus' and IPC's credit facilities and the approval of the amalgamation by IPC's shareholders. There are no assurances that all of the conditions to the Validus Amalgamation Offer will be satisfied. If the conditions to the Validus Amalgamation Offer are not met, the ongoing business of Validus may be adversely affected as follows:

the attention of management of Validus will have been diverted to the Validus Amalgamation Offer instead of being directed solely to Validus' own operations and pursuit of other opportunities that could have been beneficial to Validus;

Validus will have to pay certain costs relating to the Validus Amalgamation Offer, including certain legal, accounting and financial and capital market advisory fees.

**Risks Related to the Acquisition**

*Failure to complete the Amalgamation could negatively impact Validus.*

The Validus Amalgamation Agreement has not yet been signed by IPC and contains a number of conditions precedent that must be satisfied or waived prior to the consummation of the amalgamation. In addition, the Validus Amalgamation Agreement may be terminated under certain circumstances. In addition to customary termination provisions contained in agreements of this nature, Validus may terminate the Validus Amalgamation Agreement if the total number of dissenting IPC Shares for which appraisal rights have been exercised pursuant to Bermuda law exceeds 15% of the issued and outstanding IPC Shares on the business day immediately following the last day on which IPC shareholders can require appraisal for their common shares. See *The Amalgamation Agreement Termination of the Amalgamation Agreement* on page 90 for a complete description of the circumstances under which the Validus Amalgamation Agreement can be terminated.

If the amalgamation agreement is signed by IPC but the amalgamation is not completed, the ongoing business of Validus may be adversely affected as follows:

the attention of management of Validus will have been diverted to the amalgamation instead of being directed solely to Validus' own operations and pursuit of other opportunities that could have been beneficial to Validus;

Validus will have to pay certain costs relating to the amalgamation, including certain legal, accounting and financial advisory fees; and



## **Table of Contents**

Validus may be required, in certain circumstances, if the amalgamation agreement is signed by IPC, to pay a termination fee of \$16 million to IPC.

***Validus may waive one or more of the conditions to the Acquisition without resoliciting or seeking additional shareholder approval for the Share Issuance.***

Each of the conditions to Validus' obligations to complete the Acquisition, may be waived, in whole or in part by Validus. The board of directors of Validus will evaluate the materiality of any such waiver to determine whether resolicitation of proxies is necessary or, if shareholder approval of the Share Issuance has been received, whether further shareholder approval is necessary. In the event that any such waiver is not determined to be significant enough to require resolicitation or additional approval of shareholders, the Acquisition may be consummated without seeking further shareholder approval of the Share Issuance.

***A termination of the Max Amalgamation Agreement could under certain circumstances result in the payment of the Max termination fee.***

While Validus believes the provision of the Max Amalgamation Agreement providing for the payment of the Max termination fee is invalid and is seeking a ruling of the Supreme Court of Bermuda to that effect, if the proposals related to the Max Amalgamation Agreement are not approved by IPC shareholders, a court may determine that IPC is required, or IPC may otherwise be bound, to pay all, or a portion, of the Max termination fee, including in the circumstance where IPC subsequently agrees to enter into a business combination with Validus or the Acquisition is completed.

***If the Validus Amalgamation Agreement is signed by IPC, potential payments made to dissenting IPC shareholders in respect of their rights to appraisal of their shares could exceed the amount of consideration otherwise due to them under the terms of the Validus Amalgamation Agreement.***

Any IPC shareholder may apply, within one month after the date of giving of notice convening an IPC special meeting in connection with the Validus Amalgamation Offer, for an appraisal of the fair value of its IPC Shares. Unless Validus has terminated the Validus Amalgamation Agreement because the number of dissenting shares is greater than 15% of the issued and outstanding IPC Shares (see *The Amalgamation Agreement – Termination of the Amalgamation Agreement – Termination* on page 90), then Validus may be required to pay the fair value appraised by the court to such dissenting shareholder. Any such payments may have a material adverse effect on Validus' business, financial condition and operating results.

## **Risks Related to Validus Following the Acquisition**

***Validus may experience difficulties integrating IPC's businesses, which could cause Validus to fail to realize the anticipated benefits of the Acquisition.***

If the Acquisition is consummated, achieving the anticipated benefits of the Acquisition will depend in part upon whether the two companies integrate their businesses in an effective and efficient manner. The companies may not be able to accomplish this integration process smoothly or successfully. The integration of certain operations following the Acquisition will take time and will require the dedication of significant management resources, which may temporarily distract management's attention from the routine business of Validus.

Any delay or inability of management to successfully integrate the operations of the two companies could compromise Validus' potential to achieve the long-term strategic benefits of the Acquisition and could have a material

adverse effect on the business, financial condition, operating results and market value of Validus common shares after the Acquisition.

## **Table of Contents**

***Validus has only conducted a review of IPC's publicly available information and has not had access to IPC's non-public information. Therefore, Validus may be subject to unknown liabilities of IPC which may have a material adverse effect on Validus' profitability, financial condition and results of operations.***

To date, Validus has only conducted a due diligence review of IPC's publicly available information. The consummation of the Acquisition may constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, or result in the acceleration or other change of any right or obligation (including, without limitation, any payment obligation) under agreements of IPC that are not publicly available. As a result, after the consummation of the Acquisition, Validus may be subject to unknown liabilities of IPC, which may have a material adverse effect on Validus' profitability, financial condition and results of operations.

In addition, the Acquisition may also permit a counter-party to an agreement with IPC to terminate that agreement because completion of the Acquisition would cause a default or violate an anti-assignment, change of control or similar clause. If this happens, Validus may have to seek to replace that agreement with a new agreement. Validus cannot assure you that it will be able to replace a terminated agreement on comparable terms or at all. Depending on the importance of a terminated agreement to IPC's business, failure to replace that agreement on similar terms or at all may increase the costs to Validus of operating IPC's business or prevent Validus from operating part or all of IPC's business.

In respect of all information relating to IPC presented in, incorporated by reference into or omitted from, this proxy statement, Validus has relied upon publicly available information, including information publicly filed by IPC with the SEC. Although Validus has no knowledge that would indicate that any statements contained herein regarding IPC's condition, including its financial or operating condition (based upon such publicly filed reports and documents) are inaccurate, incomplete or untrue, Validus was not involved in the preparation of such information and statements. For example, Validus has made adjustments and assumptions in preparing the pro forma financial information presented in this proxy statement that have necessarily involved Validus' estimates with respect to IPC's financial information. Any financial, operating or other information regarding IPC that may be detrimental to Validus following the Acquisition that has not been publicly disclosed by IPC, or errors in Validus' estimates due to the lack of access to IPC, may have a material adverse effect on Validus' financial condition or the benefits Validus expects to achieve through the consummation of the Acquisition.

***The Acquisition may result in ratings downgrades of one or more of Validus' insurance or reinsurance subsidiaries (including the newly acquired IPC insurance and reinsurance operating companies) which may adversely affect Validus' business, financial condition and operating results, as well as the market price of its common shares.***

Ratings with respect to claims paying ability and financial strength are important factors in maintaining customer confidence in Validus and its ability to market insurance and reinsurance products and compete with other insurance and reinsurance companies. Rating organizations regularly analyze the financial performance and condition of insurers and reinsurers and will likely place the ratings of Validus and its reinsurance subsidiaries under review following an agreement by Validus to acquire IPC. While each of Standard & Poor's and A.M. Best have stated that they will not take any current action with respect to Validus' ratings following the announcement of the Validus Amalgamation Offer to IPC, Moody's has changed the outlook to negative with respect to the A3 insurance financial strength rating of Validus' reinsurance subsidiary, Validus Reinsurance, Ltd., and the Baa2 long-term issuer rating of Validus. Additionally, although A.M. Best has assigned the reinsurance subsidiaries of IPC (including IPCRe Limited and IPCRe Europe Limited) the financial strength rating of A (Excellent) and issuer credit ratings of a and IPC the issuer credit rating of bbb, A.M. Best has also indicated that each of these IPC ratings is under review with negative implications in connection with the Proposed Max Amalgamation. A.M. Best and the other ratings agencies would most likely provide similar scrutiny and analysis of the Acquisition. Following the Acquisition, any ratings

downgrades, or the potential for ratings downgrades, of Validus or its subsidiaries (including the newly acquired IPC operating companies) could adversely affect Validus ability to market and distribute products

## **Table of Contents**

and services and successfully compete in the marketplace, which could have a material adverse effect on its business, financial condition and operating results, as well as the market price for Validus common shares.

*The occurrence of severe catastrophic events after the Acquisition may cause Validus net income to be more volatile than if the Acquisition did not take place.*

For the year ended December 31, 2008, Validus gross premiums written (excluding reinstatement premiums) on property catastrophe business were \$328.2 million or 24.1% of total gross premiums written. For the year ended December 31, 2008, 93% of IPC's gross premiums written covered property catastrophe reinsurance risks. For the year ended December 31, 2008, after giving effect to the Acquisition as if it had been consummated on December 31, 2008, gross premiums written on property catastrophe business would have been \$661.9 or 37.5% of total gross premiums of Validus on a pro forma basis. Because Validus after the Acquisition will, among other things, have larger aggregate exposures to natural and man-made disasters than it does today, Validus aggregate loss experience could have a significant influence on Validus net income. See *Unaudited Condensed Consolidated Pro Forma Financial Information*.

### **Risk Related to IPC's Businesses**

You should read and consider other risk factors specific to IPC's businesses that will also affect Validus after the Acquisition, described in Part I, Item 1A of IPC's annual report on Form 10-K for the year ended December 31, 2008 and other documents that have been filed by IPC with the SEC and which are incorporated by reference into this proxy statement.

### **Risk Related to Validus' Businesses**

You should read and consider other risk factors specific to Validus' businesses that will also affect Validus after the Acquisition, described in Part I, Item 1A of the Validus 10-K and other documents that have been filed by Validus with the SEC and which are incorporated by reference into this proxy statement.

## **THE ACQUISITION**

### **General Description**

In order to consummate the Acquisition, Validus is simultaneously pursuing the following alternative transaction structures, pursuant to which IPC shareholders will receive 1.2037 Validus Shares for each outstanding IPC Share:

- (1) the Validus Amalgamation Offer;
- (2) the Exchange Offer; and
- (3) the Scheme of Arrangement.

The Validus Amalgamation Offer, the Exchange Offer and the Scheme of Arrangement are alternative methods for Validus to acquire all of the issued and outstanding IPC Shares on the same economic terms. Ultimately, only one of these transaction structures can be pursued to completion. Validus intends to seek to acquire all IPC Shares by whichever method Validus determines is most effective and efficient.

On March 31, 2009, Validus announced that it had delivered to IPC the Validus Amalgamation Offer. In connection with the delivery of the Validus Amalgamation Offer to IPC, Validus also delivered a copy of the Validus

Amalgamation Agreement signed by Validus so that, upon a termination of the Max Amalgamation Agreement, IPC would be able to sign the Validus Amalgamation Agreement with the certainty of an agreed transaction. IPC announced on April 7, 2009 that its board of directors has determined that the Validus Amalgamation Offer does not constitute a superior proposal to the Proposed Max Amalgamation and reaffirmed its support of the Proposed Max Amalgamation. Additionally, Max has not released IPC from the prohibition in the Max Amalgamation Agreement that prevents IPC from even

## **Table of Contents**

discussing the Validus Amalgamation Offer with Validus. Therefore, in order to consummate the Acquisition without the cooperation of IPC's board of directors, Validus is pursuing a three-part plan.

First, Validus is asking IPC shareholders to vote against the Proposed Max Amalgamation. If the Proposed Max Amalgamation is voted down by IPC shareholders, IPC would be able to terminate the Max Amalgamation Agreement and accept the Validus Amalgamation Offer.

Second, Validus intends to commence in the near future the Exchange Offer for all of the outstanding IPC Shares. The Exchange Offer would allow Validus to complete the Acquisition of IPC shortly following the IPC annual general meeting, if the IPC shareholders vote down the Proposed Max Amalgamation and the other conditions to the Exchange Offer are satisfied. Under the terms of the Exchange Offer, IPC shareholders would receive 1.2037 Validus Shares for each IPC Share. The Exchange Offer will be subject to certain conditions described in the Offer to Exchange filed by Validus with the SEC, including the tender of at least 90% of the total outstanding IPC Shares (on a fully diluted basis), termination of the Max Amalgamation Agreement, and the consent of Validus lenders. Under Bermuda law, if Validus acquires 90% or more of IPC Shares in the Exchange Offer, Validus will have the right to acquire the remaining IPC Shares in a second-step acquisition under Bermuda law. The Exchange Offer will not be conditioned on regulatory approvals or the elimination of the possible termination fee to Max. Validus believes that if the conditions of the Exchange Offer are satisfied, it would be able to acquire IPC Shares under the Exchange Offer in June based on the following. If the Exchange Offer is commenced as late as May 15 and held open for 20 business days, it would expire on June 15, 2009. If the conditions to the Exchange Offer are satisfied, Validus will acquire at least 90% of the then-outstanding number of IPC Shares on a fully-diluted basis (excluding any IPC Shares beneficially owned by Validus or its subsidiaries).

Third, Validus intends to petition the Supreme Court of Bermuda to approve the Scheme of Arrangement under which Validus would acquire all IPC Shares under the same economic terms as in the Validus Amalgamation Offer. The Scheme of Arrangement can be accomplished without the approval of IPC's board of directors if approved by IPC shareholders at two shareholder meetings and sanctioned by the Supreme Court of Bermuda. The first shareholder meeting is the court-ordered IPC meeting at which IPC shareholders can vote to approve the Scheme of Arrangement. In addition, if IPC's board of directors continues to be uncooperative despite shareholder approval at the court-ordered IPC meeting, IPC shareholders can call the IPC special general meeting at which IPC shareholders can require IPC to approve and be bound by the Scheme of Arrangement and to terminate the Max Amalgamation Agreement. Following IPC shareholder approval at both of these meetings, and approval by the Supreme Court of Bermuda, the Scheme of Arrangement would become effective and IPC would become a subsidiary of Validus. The Scheme of Arrangement would be approved with the vote of a majority in number of the holders of IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy, representing 75% or more in value of the IPC Shares voting at the court-ordered IPC meeting, whether in person or by proxy. The required vote at the second meeting is an affirmative vote of the holders of a majority of IPC Shares voting at the meeting. Validus believes that, under the Scheme of Arrangement, it would be able to close an acquisition of IPC as early as mid-July based on the assumptions that: (1) the Supreme Court of Bermuda will be able to accommodate the preferred hearings schedule and meeting dates and other procedural matters; (2) IPC shareholders holding at least one-tenth of the issued shares of IPC have requisitioned a special general meeting to be held in late June or early July to approve and have IPC be bound by the Scheme of Arrangement; and (3) the IPC directors, following the rejection of the Proposed Max Amalgamation, or IPC shareholders, convene the requisitioned special general meeting, allowing it to be held by mid-July.

Assuming closing of the Acquisition, based on Validus's capitalization as of December 31, 2008 and the exchange ratio of 1.2037, Validus would issue 67,338,947 Validus Shares in connection with the Acquisition and IPC shareholders would own approximately 43% of the issued and outstanding common shares of Validus on a fully-diluted basis.





**Table of Contents**

**Background of the Acquisition**

On March 2, 2009, IPC and Max announced that they had entered into the Max Amalgamation Agreement. The IPC/Max S-4 provides a summary of the events leading to Max and IPC entering into the Max Amalgamation Agreement.

In the morning of March 31, 2009, Edward J. Noonan, the Chief Executive Officer and Chairman of the board of directors of Validus, placed a telephone call to James P. Bryce, the Chief Executive Officer and President of IPC. Mr. Noonan spoke with Mr. Bryce and explained that Validus intended to make an Offer to Exchange each outstanding IPC Share for 1.2037 Validus Shares, subject to the termination of the Max Amalgamation Agreement.

Following this telephone call, in the morning of March 31, 2009, Validus delivered a proposal letter containing the Validus Amalgamation Offer to IPC's board of directors in care of Mr. Bryce and issued a press release announcing the Validus Amalgamation Offer. The letter reads as follows:

March 31, 2009

The Board of Directors of IPC Holdings, Ltd.  
c/o James P. Bryce, President and Chief Executive Officer  
American International Bldg.  
29 Richmond Road  
Pembroke, HM 08  
Bermuda

Re: Superior Amalgamation Proposal by Validus Holdings, Ltd. ( Validus ) to IPC Holdings, Ltd. ( IPC )

Dear Sirs:

On behalf of Validus, I am writing to submit a binding offer<sup>2</sup> pursuant to which Validus and IPC would amalgamate in a share-for-share exchange valuing IPC Shares at an 18.0% premium to yesterday's closing market price. We believe that an amalgamation of Validus and IPC would represent a compelling combination and excellent strategic fit and create superior value for our respective shareholders.

We unquestionably would have preferred to work cooperatively with you to complete a negotiated transaction. However, it was necessary to communicate our binding offer to you by letter because of the provisions of the Agreement and Plan of Amalgamation between IPC and Max Capital Group Ltd. ( Max ), dated as of March 1, 2009, as amended on March 5, 2009 (the Max Plan of Amalgamation ). We have reviewed the Max Plan of Amalgamation and see that it contemplates your receipt of acquisition proposals. Given the importance of our binding offer to our respective shareholders, we have decided to make this letter public.

Our binding offer involves a share-for-share exchange valuing IPC Shares at an 18.0% premium to yesterday's closing market price. Consistent with that, we are prepared to amalgamate with IPC at a fixed exchange ratio of 1.2037 Validus shares per IPC share.

Our board of directors has unanimously approved the submission of our binding offer and delivery of the enclosed signed amalgamation agreement, so that, upon termination of the Max Plan of Amalgamation, you will be able to sign the enclosed agreement with the certainty of an agreed transaction. Our offer is structured as a tax-free share-for-share

transaction and does not require any external financing. It is not conditioned on due diligence. The only conditions to our offer are those contained in the enclosed executed amalgamation agreement.

<sup>2</sup> Throughout this letter we refer to our binding offer because, as of the date of this letter, we had indicated to IPC that our offer could not be withdrawn prior to April 15, 2009. As of the date of this proxy statement, we have not withdrawn our offer, but have reserved the right to do so.

**Table of Contents**

Our binding offer is clearly superior to the Max transaction for your shareholders and is a Superior Proposal as defined in section 5.5(f) of the Max Plan of Amalgamation for the reasons set forth below.

**Superior Current Value.** Our proposed transaction will provide superior current value for your shareholders. Our fixed exchange ratio of 1.2037 represents a value of \$29.98 per IPC share, which is a premium of 18.0% to the closing price of IPC's common shares on March 30, 2009.

**Superior Trading Characteristics.** Validus' common shares have superior trading characteristics to those of Max as noted in the table below.

|   | <b>Validus</b>  | <b>Max</b>     |
|---|-----------------|----------------|
| Share Price Change Since Validus IPO(1) | +13.2%          | -36.5%         |
| Mkt. Cap as of 3/30/09                  | \$ 2.0 billion  | \$ 0.9 billion |
| Average Daily Trading Volume(2)         | \$ 11.3 million | \$ 6.7 million |
| Price/Book(3)                           | 1.05 x          | 0.76 x         |
| Price/Tangible Book(3)                  | 1.13 x          | 0.77 x         |

(1) Based on the closing prices on March 30, 2009 and July 24, 2007.

(2) Three months prior to March 2, 2009, date of announcement of Max and IPC amalgamation.

(3) Based on December 31, 2008 GAAP book value per diluted share and diluted tangible GAAP book value per share using closing prices on March 30, 2009.

**Less Balance Sheet Risk.**<sup>3</sup> The combined investment portfolio of IPC/Validus is more stable than that of IPC/Max. Pro forma for the proposed IPC/Max combination, alternative investments represent 12% of investments and 29% of shareholders' equity. In contrast, Validus does not invest in alternatives and pro forma for a Validus/IPC combination, alternative investments represent 3% of investments and 4% of shareholders' equity, providing greater safety for shareholders and clients.

**Superior Long-term Prospects.** A combined Validus and IPC would be a superior company to IPC/Max with greater growth prospects and synergies with:

1. Superior size and scale, with pro forma December 31, 2008 shareholders' equity of \$3.7 billion and total GAAP capitalization of \$4.1 billion;

2. Superior financial flexibility, with debt/total capitalization of only 1.8% and total leverage including hybrid securities of only 9.1%;

3. A global platform, with offices and underwriting facilities in Bermuda, at Lloyd's in London, Dublin, Singapore, New York and Miami;

4. Superior diversified business mix, with lines of business concentrated in short-tail lines where pricing momentum is strongest; and

5. An experienced, proven and stable management team with substantial expertise operating in IPC's core lines of business.

<sup>3</sup> The occurrence of severe catastrophic events after an amalgamation with IPC could cause Validus' net income to be more volatile than if the amalgamation did not take place. For the year ended December 31, 2008, Validus' gross premiums written (excluding reinstatement premiums) on property catastrophe business were \$328.2 million or 24.1% of total gross premiums written. For the year ended December 31, 2008, 93% of IPC's gross premiums written (excluding reinstatement premiums) covered property catastrophe reinsurance risks. For the year ended December 31, 2008, after giving effect to the Validus amalgamation as if it had been consummated on December 31, 2008, gross premiums written on property catastrophe business would have been \$661.9 million or 37.5% of total gross premiums of Validus on a pro forma basis. Because Validus after the amalgamation will, among other things, have larger aggregate exposures to natural and man-made disasters than it does today, Validus' aggregate loss experience could have a significant influence on Validus' net income.

**Table of Contents**

Our superior growth prospects are evidenced by our historical track record. Between December 31, 2005 and December 31, 2008, Validus grew its book value per share (including accumulated dividends) at a 13.2% compound annual rate vs. Max's 8.8% growth over the same period. In 2008, we grew our book value per share (including accumulated dividends) by 2.4% vs. Max's 10.8% decline over the same period.

Expedited Closing Process. We will be able to close an amalgamation with IPC more quickly than Max because we will not require the approval of U.S. insurance regulators.<sup>4</sup>

Substantially the Same Contractual Terms and Conditions. Our proposed amalgamation agreement contains substantially the same terms and conditions as those in the Max Plan of Amalgamation, and for your convenience we have included a markup of our amalgamation agreement against the Max Plan of Amalgamation.

Superior Outcome for Bermuda Community. The combination of Validus and IPC creates a larger, stronger entity than a combination of Max and IPC which will benefit the Bermuda community.<sup>5</sup>

Superior Outcome for IPC Clients. Validus has a greater commitment to the lines of business underwritten by IPC and has superior technical expertise and capacity to provide IPC customers with continuing reinsurance coverage. Max has consistently stated its intention to reduce its commitment to IPC's business. Therefore, a combination with Validus will be less disruptive to IPC's client base.

Our binding offer is clearly a Superior Proposal, within the meaning of the Max Plan of Amalgamation. We and our financial advisors, Greenhill & Co., LLC, and our legal advisors, Cahill Gordon & Reindel llp, are prepared to move forward immediately. We believe that our offer presents a compelling opportunity for both our companies and our respective shareholders, and look forward to your prompt response. We respectfully request that the Board of IPC reach a determination by 5:00 p.m., Bermuda time, on Wednesday, April 15, 2009, that (i) our binding offer constitutes a Superior Proposal, (ii) it is withdrawing its recommendation for the transaction contemplated by the Max Plan of Amalgamation and (iii) it is making a recommendation for the transaction contemplated by this binding offer.

We reserve the right to withdraw this offer if the Board of IPC has not reached a determination (i) that our binding offer constitutes a Superior Proposal, (ii) to withdraw its recommendation for the transaction contemplated by the Max Plan of Amalgamation and (iii) to make a recommendation for the transaction contemplated by this binding offer by 5:00 p.m., Bermuda time, on Wednesday, April 15, 2009. We further reserve the right to withdraw this binding offer if you subsequently withdraw your recommendation in favor of our offer or if you do not sign the enclosed amalgamation agreement within two business days after the termination of the Max Plan of Amalgamation.

We look forward to your prompt response.

Sincerely,

/s/ Edward J. Noonan  
Edward J. Noonan  
Chairman and Chief Executive Officer

cc: Robert F. Greenhill  
Greenhill & Co., LLC

<sup>4</sup> As of the date of this letter, our belief that we could close an amalgamation with IPC more quickly than Max was based on the observation that the Validus amalgamation with IPC would not require the approval of U.S. insurance

regulators because neither IPC nor Validus operates a U.S.-regulated insurance business that would require any such approval while the Proposed Max Amalgamation requires such approvals.

<sup>5</sup> We believe that a larger, stronger entity will benefit the Bermuda community because it offers greater stability.

**Table of Contents**

John J. Schuster  
Cahill Gordon & Reindel llp

In the afternoon on March 31, 2009, IPC issued a press release acknowledging receipt of the letter from Validus outlining the Validus Amalgamation Offer. The text of the press release reads as follows:

IPC Holdings, Ltd. (NASDAQ: IPCR) ( IPC ) acknowledges receipt of an unsolicited letter dated today, March 31, 2009, from Validus Holdings, Ltd. (NYSE: VR) ( Validus ) outlining a proposed transaction.

On March 2, 2009, IPC entered into an Agreement and Plan of Amalgamation (the Amalgamation Agreement ) with its wholly-owned subsidiary IPC Limited and Max Capital Group Ltd. ( Max ) which provides that Max will amalgamate with IPC Limited. IPC continues to be bound by the terms of the Amalgamation Agreement and the parties have recently filed a joint proxy statement/prospectus with the Securities & Exchange Commission.

IPC s Board of Directors will review the terms of the proposal submitted by Validus in a manner consistent with its obligations under the Amalgamation Agreement and applicable Bermuda law.

IPC will have no further comment on this matter until IPC s Board of Directors makes a determination regarding Validus offer.

Also in the afternoon on March 31, 2009, Max issued a press release announcing that it had received from IPC a copy of the letter from Validus outlining the Validus Amalgamation Offer. The text of the press release reads as follows:

Max Capital Group Ltd. (NASDAQ: MXGL; BSX: MXGL BH) today announced that it has received a copy of Validus Holdings, Ltd. s unsolicited, stock-for-stock, proposal for IPC Holdings, Ltd.

As previously announced on March 2, 2009, Max and IPC entered into an Agreement and Plan of Amalgamation pursuant to which Max will amalgamate with IPC Limited. The Boards of both companies have previously stated that the combination of Max with IPC would create a strong company with a balanced, diversified portfolio of risk across a mix of geographies and business lines with the opportunity to generate more stable and attractive returns on capital. Max s pending merger with IPC is expected to be completed late in the second quarter or early in the third quarter of this year.

W. Marston (Marty) Becker, Chairman and Chief Executive Officer of Max Capital, said: In today s unprecedented business environment and cycle, we believe that diversification, in terms of global presence and both short and long-tail exposures, significantly reduces risk and provides a more solid platform for building sustained long-term value. The merger of IPC and Max was founded on a shared vision of allowing the combined group of shareholders to enjoy the benefits of a strong, diversified operating platform with a proven track record. While we have not yet had the opportunity to review Validus proposal carefully, we believe that combining two short-tailed property catastrophe oriented companies would appear to do little for true shareholder diversification. By contrast, Max s track record of building a diversified platform without diluting shareholder value should lead to better long-term growth prospects and value creation following completion of the pending IPC-Max merger.

In the morning on April 2, 2009, Max sent a letter to IPC s Board of Directors purporting to outline the relative advantages of the pending Proposed Max Amalgamation as well as the business and financial issues raised by the Validus Amalgamation Offer and issued a press release announcing the letter. The text of the letter reads as follows:

Dear Members of the Board:

We are writing regarding the many business and financial issues raised by the public proposal by Validus Holdings Ltd. ( Validus ) to acquire IPC Holdings, Ltd. ( IPC ) in lieu of the pending IPC amalgamation with Max Capital Group Ltd. ( Max ). The IPC/Max amalgamation was founded on a shared vision of allowing



**Table of Contents**

our combined group of shareholders to enjoy the benefits of a strong, diversified operating platform with a proven track record. The Validus proposal does not offer that.

Rather, in light of the Validus proposal, the IPC Board faces two starkly contrasting choices:

A. You can agree to be taken over by Validus at a price that is below IPC's book value. The result of this takeover for your shareholders would be a minority equity stake in an entity that offers substantially similar product lines to those offered by IPC today, with little risk diversification, and apparently no ability by the IPC Board to steward the longer term prospects of the company.

OR

B. You can complete the planned merger of equals with Max at a price that is below Max's book value. We believe that this transaction will create a more stable entity that will provide significant product, geographic and risk diversification and over which IPC's Board will continue to have significant influence, which in turn will provide superior shareholder value.

For the reasons set forth below, and in the accompanying exhibits, we do not agree with Validus that its proposal represents a Superior Proposal or is a proposal that can reasonably be expected to lead to a Superior Proposal pursuant to the IPC/Max Plan of Amalgamation dated March 1, 2009 (the IPC/Max Plan).

1. *A combination with Max delivers 29% more tangible book value per share to IPC.* As we operate in an industry where the primary valuation driver is a multiple of book value (and tangible book value), we believe that a transaction that maximizes the book value to shareholders provides the best opportunity to generate shareholder value. The IPC combination with Max is a truly superior proposal versus the takeover proposal by Validus. The takeover proposal by Validus would result in IPC receiving only \$28.35 in diluted book value per IPC share and \$26.19 of diluted tangible book value per IPC share from Validus. In contrast, our combination delivers \$34.93 of diluted book value per IPC share (a 23.2% premium to Validus) and \$33.83 of diluted tangible book value per IPC share (a 29.2% premium to Validus). A combination with Max provides greater underlying value to IPC's shareholders, which we believe will result in greater upside for both IPC and Max shareholders.

2. *The IPC/Max Plan creates significant value for IPC shareholders.* As we indicated during our discussions, we believe that the IPC/Max Plan provides an attractive financial outcome for IPC. The IPC/Max Plan is expected to be accretive to both earnings per share and return on equity. In addition, as you consider the historical trading multiples of Max and IPC, there is significant opportunity to create substantial value for all shareholders of the combined company. We believe the Validus proposal prioritizes an immediate premium in the form of stock for IPC shareholders, while compromising a value creation opportunity for IPC shareholders. Importantly, the written proposal by Validus does not contemplate any participation by the IPC board of directors, whose participation remains an important consideration for Max in the amalgamation and provides continuity to shareholders and clients.

3. *Max is a truly diversified underwriting platform.* The IPC/Max Plan offers IPC's shareholders superior current and future value by combining IPC with a truly diversified underwriting platform, with a strong and well established track record. Max enjoys a diversified portfolio of business across many dimensions by class, geography, customers and distribution. We believe that Max's diversified underwriting platform, with its strong emphasis on profitable longer-tail casualty business, will generate more stable returns on capital through underwriting cycles, compared to the volatility embedded in the Validus short-tail portfolio. Validus, whose 2008 gross premiums written are 94% concentrated in short-tail lines of business, claims that its portfolio represents diversification. Validus' ability to deliver anything approaching true diversification seems to be constrained by its limited underwriting platforms in Bermuda and at Lloyd's and lack of underwriting capabilities in longer-tail casualty classes.

Combining two short-tailed property catastrophe companies as proposed by Validus does little for shareholder diversification. Validus' stated intention to take advantage of currently strong rates in the property market is a short-term strategy that is capital intensive, creates greater volatility for shareholders, and is one which IPC could have continued on a stand-alone basis but elected not to do so. By contrast, Max remains

**Table of Contents**

committed to an underwriting strategy that produces attractive results across market cycles, by continuing to expand its specialty insurance business in selected underwriting classes and limiting volatility in its underwriting results.

4. *Max has a proven, long-term, operating history.* Max's underwriting has been tested through the tragic events of 9/11, the active 2004 hurricane season and the confluence of Hurricanes Katrina, Rita, and Wilma in 2005. Validus operating history, by contrast, does not extend beyond the past three years, during which time the industry as a whole has experienced both strong property catastrophe pricing and limited catastrophe activity. The first test of Validus portfolio of business and risk management capabilities since its formation three years ago came in 2008 with Hurricanes Ike and Gustav. In our view, the results speak for themselves: the net loss reported by Validus for these events represented 12.4% of its June 30, 2008 shareholders' equity, the largest percentage loss of its broad peer group which averaged 7.2% of shareholders' equity. The loss was almost double the net loss incurred by IPC, which represented just 6.7% of IPC's June 30, 2008 shareholders' equity. The losses recorded by Validus included a 42% increase in its initial loss estimate for Hurricane Ike (from \$165 million to \$235 million) during the fourth quarter of 2008. By comparison, Max's net incurred losses from Hurricanes Ike and Gustav were limited to 3.4% of June 30, 2008 shareholders' equity, the lowest among the broader peer group, demonstrating the lower embedded volatility of Max's underwriting results versus Validus.

5. *IPC and Max can complete an amalgamation more quickly, and with greater certainty.*

(a) *IPC and Max can close our amalgamation expeditiously.* Max believes that the IPC/Max Plan can close as soon as June 2009. By contrast, we believe that Validus would not be in a position to close a transaction with IPC until September 2009 at the earliest, notwithstanding its public prediction of a second quarter close. As you are well aware, the IPC/Max Plan requires that shareholders have the opportunity to vote on our amalgamation before IPC's Board can terminate our agreement and thereafter begin discussions with a bidder such as Validus. We anticipate that we will be able to hold our respective shareholder meetings in June, and only after those shareholder votes would Validus be able to pursue its proposal. Validus' inability to close before September 2009, the middle of hurricane season, adds meaningful uncertainty to Validus' proposal, as IPC shareholders and the transaction itself would be put at risk by the significant catastrophe exposures of Validus and Validus' ability to terminate the transaction based upon changes in shareholders' equity. Much has been made by Validus regarding US regulatory approvals required to complete the IPC/Max amalgamation. As you know, these approvals are well underway and we do not foresee such requisite approvals adversely impacting a possible June closing.

(b) *IPC has conducted extensive diligence on Max.* IPC was given complete and open access to Max to afford you and your outside advisors and consultants with the ability to conduct extensive due diligence on Max. The Validus proposal seeks to have IPC enter into a transaction for which IPC has not conducted due diligence. We also note that certain of Validus' disclosure schedules will not be provided to IPC until after IPC and Max's shareholders have the opportunity to vote upon our amalgamation.

6. *Max's business is complementary to IPC.* Clients seek a diversified program of reinsurers. As you were able to confirm in your due diligence, Max has very limited overlap with the customers of IPC and neither party expects a combination of IPC and Max to lead to any meaningful disruption of either business. In addition, the continuity of the underwriters at IPC will maximize the opportunity for IPC to continue to write this business in the future, assuming market conditions support it. By contrast, Validus acknowledges that it writes business with many of the same clients as IPC, which we would expect to result in a loss of business as clients seek to diversify their reinsurance placements.

7. *Max's complementary and diversified platform is appreciated by our ratings agencies.* Max currently has a financial strength rating of A- by A.M. Best, with its outlook changed to positive in December 2008. As IPC and Max have jointly presented to our ratings agencies, IPC's Board has the comfort of knowing that the ratings agencies view our combination, and its diversifying impact on IPC's business, positively. In contrast, we believe that the agencies

would not look as favorably on combining two short-tailed property-oriented platforms.

**Table of Contents**

8. *Max maintains less underwriting volatility through greater diversification of its portfolio of risks.* Max seeks to limit its exposure to catastrophic events (probable maximum loss based on a 1 in 250 year event) to a maximum of 20% of its shareholders' equity, often operating below this level. As part of the IPC/Max Plan, we have discussed continuing to have a significant presence in the property catastrophe market while on a combined equity basis adhering to this same 20% risk tolerance. In contrast, Validus maintains peak exposures where the probable maximum loss based on a 1 in 250 year event runs at a stated 33% of shareholders' equity. Max believes that combining this risk profile with IPC would expose IPC shareholders to an even greater level of volatility than at present and would not change the market's perception of IPC as being a property catastrophe company. The volatility of Validus' results would also seem to be cause for concern, particularly when the net losses from Hurricanes Ike and Gustav (which approximated a 1 in 15 year event) was 12.4% of shareholders' equity, the highest among its broader peer group. This compared to a net loss of 6.7% of shareholders' equity for IPC and 3.4% for Max.

9. *Max has a proven, long-term history of successful acquisitions without incurring goodwill.* We believe IPC's shareholders can take comfort in Max's demonstrated history of successfully entering new business lines through acquisitions and start-ups without incurring meaningful goodwill. For example, when Max entered the Lloyds' market, we booked intangible assets of \$8 million upon closing our acquisition of Imagine Group (UK) Limited, which stands in contrast to the \$154 million of intangible assets booked by Validus in their acquisition of Talbot.

10. *Max has a diversified shareholder base.* We believe having a shareholder base dominated by five private equity owners controlling 64.9% of Validus' total beneficial ownership (as of March 13, 2009) will limit the potential upside in the value of Validus over time as these private shareholders seek to exit their investment. Max has a diversified shareholder base with an 84% public float. In addition, Max has a well diversified shareholder base of high quality institutional shareholders.

11. *IPC and Max have compatible cultures.* IPC and Max have compatible cultures that will help ease the integration of the two companies. IPC and Max share a common focus on underwriting, claims and actuarial disciplines, and on running our respective businesses as meritocracies.

12. *Max's higher asset leverage provides greater investment income over time.* Max believes that investment leverage (invested assets as a multiple of shareholders' equity) is a positive in driving earnings and stability of returns on capital over time. Based on 2008 figures, Max had total investment to equity of 4.2x versus 1.7x for Validus. As Validus continues to pursue a short-tail strategy, Validus will be limited in its ability to increase its asset leverage. This deprives IPC of the meaningful investment income derived from longer-tail casualty lines and continues to leave IPC shareholders exposed to increased volatility from catastrophes. Validus has commented on Max's investment portfolio, particularly its alternative investment portfolio. Max's year end allocation to alternative investments was 14% of total invested assets, which is expected to reduce to 10% to 12% in 2009. In looking at results, Max's total investment return, including realized and unrealized gains and losses, during the very volatile period of 2007 / 2008 has outperformed Validus in 6 of the last 8 quarters.

We believe that the facts regarding the proposal submitted by Validus and the attempt by Validus to present a one-sided proposal to IPC shareholders make it clear that Validus has not presented a Superior Proposal, nor one that can be reasonably expected to lead to a Superior Proposal. We believe Validus has created an unnecessary and unproductive disruption for its own opportunistic purposes, which should not distract either IPC's or Max's employees and customers from our amalgamation, which we both believe to be in the best interests of our shareholders.

**Table of Contents**

Lastly, Max remains both steadfast in its commitment and excited to complete its planned amalgamation with IPC. We continue to believe that the amalgamation of IPC and Max represents the best strategic and financial opportunity for our collective shareholders.

Very truly yours,

/s/ W. Marston Becker  
W. Marston Becker  
Chairman and Chief Executive Officer  
Max Capital Group Ltd.

-54-

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**Table of Contents**

In the afternoon on April 2, 2009, Validus sent a letter to IPC's board of directors addressing the claims made by Max in its letter to IPC's board of directors in the morning on April 2, 2009. The text of our letter reads as follows:

April 2, 2009

The Board of Directors of IPC Holdings, Ltd.  
c/o James P. Bryce, President and Chief Executive Officer  
American International Bldg.  
29 Richmond Road  
Pembroke, HM 08  
Bermuda

Dear Members of the Board:

We are writing to respond to the letter sent to you by Mr. Becker of Max Capital Group Ltd. ( Max ) dated April 2, 2009, regarding the purported benefits of the proposed combination of IPC Holdings, Ltd. ( IPC ) with Max (pursuant to an Amalgamation Agreement between Max and IPC dated as of March 2, 2009 (the Amalgamation Agreement )), as compared to the benefits presented by a combination of IPC with Validus Holdings, Ltd. ( Validus ) on the terms we proposed to you in our letter dated March 31, 2009 (the Validus Proposal ).

First, we would like to reiterate our sincere belief that the Validus Proposal is in every respect a Superior Proposal as defined in the Amalgamation Agreement. In fact, as you have undoubtedly seen, the markets have already endorsed our proposal: the IPC share price has increased significantly since the announcement of our proposal, in recognition of the fact that our proposal delivers superior value to the IPC shareholders – an irrefutable fact. Our proposal offers the IPC shareholders superior value (an 18% premium to the value of the IPC stock on the date prior to our announcement), a currency with superior trading characteristics (Validus shares trade at a premium to book value, as opposed to the Max shares, which trade at a discount to book value), less balance sheet risk, and most importantly, superior long term prospects.

Max suggests that the choice you are facing is between (i) a combined company based on a shared vision in which you, the IPC Board, can continue your stewardship, and (ii) an entity which offers you few benefits over what you have today, with no ability to continue your stewardship. We view the choice quite differently: you can choose to combine with a company which, on almost every metric, is a worse choice for your shareholders, or ours, which delivers, immediately and in the long term, superior value for your shareholders. To the extent that you, the members of the IPC Board, have an interest in continuing involvement in the affairs of the combined company, we would be happy to discuss continued Board representation with you.

Turning now to the assertions in the Max letter, we note that Max has made a number of statements which distort the facts and present an incomplete picture. We would like to respond to each of these in turn.

*1. A combination with Max delivers 29% more tangible book value per share to IPC.* Max believes book value per share is a very important measure in our industry, and we do not disagree. The relevant question for the IPC Board, however, is not, as Max suggests, the relative percentage of book value being delivered to IPC shareholders in the two proposals, but the absolute value of the shares themselves. On this measure, the Validus proposal is clearly superior, as it offers IPC shareholders a significant premium over the current value of their shares. Moreover, Max does not explain in its letter why Max's shares are trading at such a deep discount to its book value. We can only guess that the market assigns such a discount because of Max's stewardship of its business or because so much of Max's investment portfolio is tied up in risky alternative assets. Indeed, of Max's \$1.2 billion of tangible common equity, \$754 million is in alternative assets, which in 2008 generated mark downs of \$233 million, greater than the entirety of Max's

underwriting income, and \$476 million is in non-agency asset/mortgage backed securities. We believe it is a far better value proposition for the IPC shareholders to receive Validus shares, a currency which the market values at a premium to book.



**Table of Contents**

2. *The IPC/Max Plan creates significant value for IPC shareholders.* This statement is simply incorrect. According to data calculated from the proxy statement filed by IPC on March 27, 2009, IPC's book value per share would decrease from \$33.00 to \$32.30, or 2.1% as a result of the combination with Max (this obviously implies the deal is accretive to Max at your expense). That can hardly be described as the best opportunity to deliver shareholders value. Moreover, while it is true that the Validus proposal delivers an immediate premium for IPC shareholders, it is wrong of Max to suggest that such a premium will compromise value creation for IPC shareholders in the longer term. We believe that receiving a better currency, in a stronger, better capitalized company, offers a more likely starting point for long term value creation than retaining shares in IPC, whose previously conservatively managed balance sheet will be negatively impacted by assets of questionable value in the IPC/Max combination.

3. *Max is a truly diversified underwriting platform.* We think the relevant question for IPC is not whether its merger partner has a diversified platform, but rather the quality of that diversification. In terms of the quality of diversification, Validus offers far superior characteristics than Max, as evidenced by 2008 results for Max's diversified businesses. Max's 2008 reported 91.9% property and casualty GAAP combined ratio benefited from \$107.0 million of prior-year reserve releases. The true 2008 accident-year GAAP combined ratio was 103.4%.<sup>6</sup> Max's diversified businesses represent diversification without profit. Max's chief source of diversifying growth, Max US Specialty, generated a 138.5% combined ratio in 2008. Results such as those cannot create value for shareholders.<sup>7</sup> Max is not a leader in any category of business, and moreover, it has chosen to focus on volatile lines of business which yield low margins.<sup>8</sup> In contrast, Validus is a global leader in very profitable business lines, including marine, energy and war and terrorism.<sup>9</sup> Furthermore, Max's statement that Validus is constrained by its limited underwriting platforms is demonstrably untrue. Validus has the global licenses and other capabilities in place to write long tail insurance if and when it believes doing so would be profitable. In fact, today, Validus writes non-catastrophe business in 143 countries around the world.<sup>10</sup> And, as demonstrated by Validus superior financial results and lower combined ratio, Validus does so profitably.

4. *Max has a proven, long-term, operating history.* Max may have a longer history than Validus, but even a cursory look at the decline in Max's book value, its weak growth, volatile results and general underperformance will quash any notion that the length of its operating history trumps the superior abilities of the deeply experienced Validus management team to generate best in class performance.

By focusing on the net loss reported by Validus based on hurricanes Ike and Gustav, Max is yet again ignoring the larger benefit of Validus' conservative risk management and diversification. Validus assumed that

<sup>6</sup> Upon verification of the calculations used to prepare this letter we have determined that Max's true 2008 accident year GAAP combined ratio is in fact 110.6% rather than 103.4% as set forth in our letter reprinted above. The combined ratio, expressed as a percentage, is a key measurement of profitability traditionally used in the property-casualty insurance business. The combined ratio, also referred to as the calendar year combined ratio, is the sum of the losses and loss adjustment expense ratio and the underwriting and other operating expense ratio. The losses and loss adjustment expense ratio is the percentage of net losses and loss adjustment expenses incurred to net premiums earned. The underwriting and other operating expense ratio is the percentage of underwriting and other operating expenses to net premiums earned. When the calendar year combined ratio is adjusted to exclude prior period items, such as loss reserve development, it becomes the accident year combined ratio.

<sup>7</sup> As described elsewhere in this proxy statement, a combined ratio of greater than 100% indicates that premiums are less than aggregate claims and expenses. Validus believes that unprofitable operations do not create value for shareholders.

<sup>8</sup> As of the date of this proxy statement, this statement should be qualified as an expression of our opinion based on our experience and knowledge of the industry.

<sup>9</sup> As of the date of this proxy statement, this statement should be qualified as an expression of our opinion based on our experience and knowledge of the industry.

<sup>10</sup> Upon verification, the statement should refer to 134 countries, rather than 143.

**Table of Contents**

the hurricane season in 2008 would generate a market loss of \$18 to \$21 billion, and we set our reserve levels accordingly. IPC, by contrast, assumed \$14.5 billion of losses. Notwithstanding the severity of the events of that hurricane season, Validus was easily able to absorb the loss (yielding a combined ratio of 92.2%, with a corresponding combined ratio at Validus Re of 86.0%). As a result, Validus was profitable, notwithstanding the losses associated with hurricanes Gustav and Ike. Its highly touted diversification notwithstanding, Max sustained a loss for the year in excess of \$200 million, demonstrating beyond a shadow of a doubt that its greater diversification is not a guarantee of profitability.

We at Validus believe that our diversification is of a higher quality, our underwriting decisions are made more carefully, our risks are managed more prudently, and we exercise a more conservative stewardship over our capital, all of which would inure to the long term benefit of the IPC shareholders in our proposed combination.

5. *IPC and Max can complete an amalgamation more quickly, with greater certainty.* Max now claims (contrary to the statements it made prior to the Validus Proposal)<sup>11</sup> that Max and IPC will be able to close their amalgamation in June 2009. Max freely admits, however, that it does not control the time table: the SEC must clear the proxy statement/prospectus filed by IPC, it must clear the proxy statement for Max, and the parties must obtain shareholders approval (which we believe will be difficult to do while our Superior Proposal is pending). Most importantly, the closing of the IPC/Max transaction requires regulatory approvals from several different state insurance departments in the United States. Implicit in Max's prediction of a closing date is a presumption of the receipt of regulatory approvals, which simply cannot be taken for granted given the likely timing of regulatory review and the public hearing process. Thus there is absolutely no guarantee that the IPC/Max deal can be consummated in the second quarter. Finally, it is important for the IPC Board not to lose sight of the fact that the Amalgamation Agreement cedes to Max the power to delay the closing of a Validus/IPC combination.<sup>12</sup>

Max also tries to make an issue of the fact that IPC has not had a chance to conduct due diligence on Validus. Validus would welcome the opportunity to provide IPC with customary due diligence information. Validus stands ready to respond to any requests IPC may make on an expedited basis, and would be more than happy to meet with IPC to answer any questions IPC may have about Validus, its operations, its financial health or any other matter relevant to the Board of IPC in considering Validus' Superior Proposal. We call upon Max to permit IPC's Board to exercise its fiduciary duties by releasing IPC from the extraordinarily restrictive prohibition in the Amalgamation Agreement which prevents it from even talking to Validus regarding the terms of its Superior Proposal.<sup>13</sup>

6. *Max's business is complementary to IPC.* Max's assertions that a combination of Validus and IPC would result in a loss of customers are without merit and are particularly surprising, given that Max has publicly stated its intention to significantly reduce IPC's core reinsurance activities. As we are both aware, the

<sup>11</sup> IPC and Max may update their predictions as to timing as new information becomes available to each party. For example, in a recent letter to shareholders filed on May 1, 2008, Max discloses that it expects the transaction to close late in the second quarter or early in the third quarter of 2009.

<sup>12</sup> As of the date of this proxy statement, the Max Amalgamation Agreement cedes to Max the power to delay the closing of a Validus/IPC combination because IPC has no right to terminate the Max Amalgamation Agreement until after the vote of the IPC shareholders at IPC's Annual General Meeting, even if IPC's board of directors changes its recommendation and recommends a vote FOR the Validus Amalgamation Offer. Accordingly, should IPC's board of directors choose to recommend a vote FOR the Validus Amalgamation Offer, Max would have the power to delay the closing of a Validus/IPC combination by not terminating the IPC/Max agreement until after the shareholders vote down the Proposed Max Amalgamation.

<sup>13</sup> The agreement governing the Validus Amalgamation Offer retained this restrictive prohibition. Validus' board of directors determined that proposing substantially similar agreement terms with what we believed to be improved

economic terms would facilitate IPC's board of directors' evaluation of the Validus Amalgamation Offer.

**Table of Contents**

current reinsurance market is in the midst of a capacity shortage.<sup>14</sup> As a result, we do not believe that clients will actively seek to diversify their reinsurance placements away from our combined company. In fact, our combined financial strength and clout should only serve to make a combined Validus/IPC a go-to player for reinsurance placements.<sup>15</sup>

7. *Max's complementary and diversified platform is appreciated by our ratings agencies.* We have been in dialogue with our ratings agencies with regard to our proposal. We encourage the Board of IPC to focus its attention on what the ratings agencies actually say, rather than on Max's speculation.<sup>16</sup>

8. *Max maintains less underwriting volatility through greater diversification in its portfolio of risks.* Due to the significant investment losses Max sustained in 2008, it is unsurprising that Max is attempting to focus on underwriting volatility alone. Selectively focusing on underwriting volatility wholly ignores the other various risks and uncertainties that IPC's shareholders would be assuming by combining with Max and its risky balance sheet. With respect to underwriting performance, in 2008, Validus successfully weathered its exposures from Hurricanes Ike and Gustav with a combined ratio of 92.2% and net income of \$63.9 million. This performance was generated despite the fact that Validus reserved for those events more conservatively than its industry peers, as discussed in paragraph 4 above. Validus' disclosures offer the highest level of transparency with regard to its probable maximum losses, zonal aggregates and realistic disaster scenarios and we would challenge Max to provide the same level of transparency to its shareholders before presumptuously speculating on the impacts of various potential events.

9. *Max has a proven, long term history of successful acquisitions without incurring good will.* Validus has a proven track record of acquiring a high quality premier business with a leading position in its market. Max's pointing to its acquisition of Imagine Group (UK) Limited as an example of a successful acquisition is ironic, especially relative to our successful acquisition of Talbot. In that transaction, Validus acquired a strong balance sheet with excess reserves at a multiple of 3.1x earnings demonstrating Validus' commitment to creating value for our shareholders. When we acquired Talbot, Validus booked \$154 million of goodwill and intangible assets; however, from acquisition closing until December 31, 2008, we benefited from \$105 million in reserve releases from the Talbot business, emanating from periods prior to the acquisition. Max's acquisition history, on the other hand, is that of acquiring subscale small businesses that significantly lag the leaders in their respective markets.<sup>17</sup>

10. *Max has a diversified shareholder base.* Max's attempt to characterize our shareholder base as a liability is baseless. What is relevant is the relative liquidity of Max and Validus shares. As previously mentioned in our letter dated March 31, 2009, Validus' daily average trading volume was \$11.3 million vs. \$6.7 million for Max for the three months prior to announcement of the IPC/Max transaction. Additionally, since our shareholder base is publicly disclosed, if the market viewed it as an overhang, such information would already be embedded in the market price of our common shares. The combination of our trading

<sup>14</sup> A reinsurance industry commentator has recently stated that, taking reinsurer capital as the nearest proxy for capacity, it is estimated that reinsurer capital, which was down 8 to 10 percent from January 1, 2008 through September 30, 2008, will be down 15 to 20 percent for the year ending December 31, 2008 when reported. In addition, the same commentator observed that capital markets capacity for insurance risk has declined in similar proportions.

<sup>15</sup> We believe that a combined Validus/IPC would be a go-to player for reinsurance placements because Validus will be better capitalized (as measured by pro forma shareholders equity) than many of the members of its peer group.

<sup>16</sup> As of the date of this proxy statement, this statement is intended to emphasize that Validus believes the statement being referred to, in the April 2, 2009 Max letter to IPC's board of directors, is based upon speculation by Max, since, to Validus knowledge, the rating agencies have not made a determination in this regard.

<sup>17</sup> As of the date of this proxy statement, we are aware of only three small acquisitions by Max and we believe, based on our experience and knowledge of the industry, that the acquired entities were not leaders in their markets.



**Table of Contents**

volume and the premium pricing of our shares compared to either Max or IPC should put to rest any concerns IPC shareholders may have regarding liquidity of the combined company.

*11. IPC and Max have compatible cultures.* Max has mentioned that it has a compatible culture with IPC. If that is in fact the case, we find the paucity of IPC management that will continue in senior roles at IPC/Max curious and an indication that such cultural fit may be only skin deep. We have successfully integrated large acquisitions in the past, and believe that experience is most relevant in this regard.

*12. Max's higher asset leverage provides greater investment income over time.* Max's asset leverage has been a significant liability given its risky investment strategy.<sup>18</sup> This leverage would similarly expose a combined IPC/Max to significant volatility. Max's alternative investments and non-agency asset/mortgage backed securities alone comprise 99% of its tangible equity, indicating a massive amount of embedded risk. Max's \$233 million loss in 2008 on their alternative investment portfolio is entirely indicative of that risk.<sup>19</sup> Its so-called outperformance in 6 of the last 8 quarters ignores the abject underperformance it experienced in other periods.<sup>20</sup> In 2007, when the global credit crisis began, Max's current management had the opportunity to liquidate its alternative assets. Max chose to continue holding those risky investments, which have led to massive losses. Combined, we believe these factors highlight Max's poor history as stewards of shareholder capital.

\* \* \*

In closing, I would like to reiterate that we have submitted to you a proposal which we are confident the IPC Board will agree is a Superior Proposal as defined in your Amalgamation Agreement. We have submitted this proposal because we deeply and honestly believe that the combination of IPC and Validus will result in a far better value proposition for the IPC shareholders than the combination of IPC and Max. Validus is absolutely committed to our Superior Proposal and we simply do not understand how Max can characterize our actions as opportunistic. If Max truly believes its combination with IPC is superior, we call upon Max to free the IPC Board from the shackles that your Amalgamation Agreement has placed on the ability of the members of the IPC Board to exercise their fiduciary duties under Bermuda law, so as to create a level playing field on which the shareholders of IPC will be able to decide which of the two proposals is indeed superior.

Sincerely,

/s/ Edward J. Noonan

Edward J. Noonan

Chairman and Chief Executive Officer

<sup>18</sup> As of the date of this proxy statement, we believe that the investment strategy that has been employed by Max, Max management who will enter, and is expected to be employed by the combined IPC/Max, and that according to Max's public information is expected to include a 10% to 12% concentration in alternative investments, should be considered a risky investment strategy that could amount to a significant liability when compared with an investment strategy, like Validus, that does not allow for such investments in alternative investments.

<sup>19</sup> As of the date of this proxy statement, this statement is intended to emphasize that Max's alternative investments alone comprised 61% of tangible equity, indicating what we believe to be a significant amount of embedded risk.

<sup>20</sup> As of the date of this proxy statement, this statement should be qualified as an expression of our opinion based on our experience and knowledge of the industry and on Max's investment performance in the third and fourth quarters of 2008, which was worse than the average for its peer group but better than the investment performance of several of its peers.





**Table of Contents**

In the afternoon on April 5, 2009, Validus sent a letter to IPC's Board of Directors regarding an error that Max had made in its calculation of pro forma tangible book value under the terms of the Validus Amalgamation Offer. The text of our letter reads as follows:

April 5, 2009

The Board of Directors of IPC Holdings, Ltd.  
c/o James P. Bryce, President and Chief Executive Officer  
American International Bldg.  
29 Richmond Road  
Pembroke, HM 08  
Bermuda

Dear Members of the Board:

We are writing to call to your attention an error contained in the publicly disseminated letter sent to you by Mr. Becker of Max Capital Group Ltd. ( Max ) dated April 2, 2009 and the accompanying presentation materials, regarding the purported benefits of the proposed combination of IPC Holdings, Ltd. ( IPC ) with Max (pursuant to an Amalgamation Agreement between Max and IPC dated as of March 2, 2009 (the Amalgamation Agreement )), as compared to the benefits presented by a combination of IPC with Validus Holdings, Ltd. ( Validus ) on the terms we proposed to you in our letter dated March 31, 2009 (the Validus Proposal ).

In his letter, Mr. Becker states (and he has been widely quoted in the media stating) that *[a] combination with Max delivers 29% more tangible book value per share to IPC.* This is not correct. We, and our financial advisors and SEC counsel, have reviewed this calculation and we would like to provide you with the correct figures. Specifically, Mr. Becker's calculation understates the pro forma IPC share of Validus tangible book value per share by \$2.74, which results in overstating the premium calculated on this basis quite significantly. We have attached some materials that illustrate the correct calculation. Our SEC counsel has advised us that this error is material and that Max will be required to amend its SEC filings to correct its error.

As we noted in our letter dated April 2, 2009, putting aside this error, we believe that this measure is the wrong framework on which to analyze whether the IPC/Max plan is superior to the IPC/Validus plan, and refer you to the analysis in our earlier letter. We remain confident that the IPC Board will agree the Validus Proposal is a Superior Proposal as defined in your Amalgamation Agreement.

We look forward to your response to the Validus Proposal.

Sincerely,

/s/ Edward J. Noonan  
Edward J. Noonan  
Chairman and Chief Executive Officer

cc: Marty Dolan, J.P. Morgan Securities, Inc.

In the afternoon on April 5, 2009, Validus also posted the material referenced in the letter on its website.

On the morning of April 6, 2009, Max issued a press release reaffirming its prior disclosure regarding the Validus Amalgamation Offer and stating that it continues to believe that Validus had not presented a Superior Proposal, nor one that can be reasonably expected to lead to a Superior Proposal (as such term is defined in the Max Amalgamation Agreement). The text of the press release reads as follows:

Max Capital Group Ltd. (NASDAQ:MXGL; BSX: MXGL BH) today confirmed that the calculations of diluted book value per IPC share and diluted tangible book value per IPC share included in

**Table of Contents**

Max's April 2, 2009 letter to the Board of Directors of IPC Holdings, Ltd. (IPC) are true and correct. Max has consulted with its financial advisors and SEC counsel.

In a press release dated April 5, 2009, Validus alleged that Max had made a substantial error in its calculation of pro forma tangible book value under the proposed terms of Validus's unsolicited takeover of IPC. However, Validus's allegation is incorrect and misleading. The calculations that Max presented accurately represent what an IPC shareholder would receive on a stand alone basis from either Max or Validus, without giving effect to what IPC itself contributes to a transaction. The Max presentation allows IPC shareholders to compare the value received under each transaction on an apples-to-apples basis. Max believes this is an important measure in comparing the value received today by an IPC shareholder under the agreement with Max and the proposed Validus transaction. The pro forma calculations Validus is utilizing include the additional benefit derived from issuing Validus shares to purchase IPC at a discount to book value.

One has to question whether the IPC shareholders are being well served by the non-substantive claims being initiated by Validus. They have made certain statements that completely misrepresent and falsely characterize the information presented by Max. Since Validus initially made its below book value, unsolicited takeover offer for IPC, it has demonstrated a lack of understanding of what is important to the shareholders of IPC in allowing them to assess the relative value being delivered by Max versus Validus, stated W. Marston (Marty) Becker, Max Chairman and CEO.

The facts presented in Max's April 2, 2009 letter to IPC have not changed and are clear:

(i) Max delivers to IPC \$33.83 of diluted tangible book value per IPC share a 29.2% premium versus \$26.19 delivered by Validus, and

(ii) Max delivers to IPC \$34.93 of diluted book value per IPC share a 23.2% premium versus \$28.35 delivered by Validus.

As noted above, these figures represent the book value per IPC share being delivered to IPC's shareholders on a standalone basis, without giving effect to what IPC itself contributes to a transaction.

The conclusion remains clear a combination with Max provides greater underlying value to IPC's shareholders today, with true diversification of underwriting exposures and without an over-concentration in short-tail catastrophe oriented business, and will result in greater upside for IPC shareholders as compared to the hostile takeover proposal by Validus.

Max continues to believe that Validus has not presented a Superior Proposal, nor one that can be reasonably expected to lead to a Superior Proposal (as such term is defined in the IPC/Max Plan of Amalgamation dated March 1, 2009).

Additional details on the Max calculations referred to above are posted on [Max's] website: [www.maxcapgroup.com](http://www.maxcapgroup.com).

**Table of Contents**

In the afternoon on April 6, 2009, Validus sent a letter to IPC's board of directors regarding the Max press release and issued a press release announcing the letter. The text of our letter reads as follows:

April 6, 2009

The Board of Directors of IPC Holdings, Ltd.  
c/o James P. Bryce, President and Chief Executive Officer  
American International Bldg.  
29 Richmond Road  
Pembroke, HM 08  
Bermuda

Dear Members of the Board:

The difficulty of being unable to speak directly has led to an exchange of press releases, which is unfortunate. In this context, we would like to respond to the Max statement issued this morning by describing the analytical framework we believe is appropriate.

In today's press release, Max modified its description of its calculation of pro forma book value per share. In essence, the Max calculation now describes what an IPC shareholder would receive on a standalone basis from either Validus or Max. We disagree with this basis for valuation. Our approach is focused on a comparison of what an IPC shareholder would own as a result of either transaction.

However, if we were to follow the Max approach, we would note that there are a number of adjustments contemplated in the proposed IPC/Max Amalgamation Agreement, which would reduce the standalone<sup>21</sup> value that Max delivers by \$117.4 million. The joint proxy statement/prospectus filed by IPC and Max references, among other adjustments, the need to increase Max's loss reserves for annuity claims as well as property and casualty claims by \$130.0 million. As a result, the Max book value delivered would be reduced by \$2.06 per Max share, resulting in a book value delivered of \$20.40 per share, on the basis of Max's calculation of diluted book value.

I would also note that Validus and Max use differing accounting conventions for calculating diluted book value per share. While each is valid, on the basis upon which Validus calculates diluted book value per share, the Max value delivered would be \$19.68 after a \$1.81 per share reduction in book value.

We have provided the attached schedule of our calculations in an effort to be as transparent as possible in our communication with you.

Sincerely,

/s/ Edward J. Noonan  
Edward J. Noonan  
Chairman and Chief Executive Officer

cc: Marty Dolan, J.P. Morgan Securities, Inc.

<sup>21</sup> If the adjustments to reduce the net asset value of Max were made, it would reduce by \$117.4 million the book value that Max contributes to the combined company at closing.



**Table of Contents****Adjustments to Max Book Value Upon Combination with IPC**

|  | (In millions, except per share values) |                   |
|--|--|-------------------|
| Net book value of net assets acquired prior to fair value adjustments(1)               | \$                                     | 1,280.3           |
| Preliminary adjustments for fair value   |  |                   |
| Adjustment to deferred acquisitions costs(2)   |  | (51.3)            |
| Adjustment to goodwill and intangible assets(3)  |  | (12.0)            |
| Adjustment to reserve for property and casualty losses and loss adjustment expenses(4) |  | (60.0)            |
| Adjustment to life and annuity benefits(4)   |  | (70.0)            |
| Adjustment to unearned property and casualty premiums(5)                               |  | 51.3              |
| Adjustment to senior notes(6)  |  | 24.6              |
| <br>Total adjustments  |  | <br>(117.4)       |
| <br>Fair value of net assets acquired  | <br>\$                                 | <br>1,162.9       |
| Total adjustments  | \$                                     | (117.4)           |
| Max diluted shares outstanding(7)  |  | 64.9              |
| <br>Adjustment per diluted share   | <br>\$                                 | <br><b>(1.81)</b> |

Source: Note 1 to unaudited pro forma consolidated financial information of IPC in Form S-4 filed 3/27/2009 ( S-4 ). Notes 1-6 are excerpts from the S-4.

- (1) Represents historical net book value of Max.
- (2) Represents adjustment to reduce the deferred acquisition costs of Max to their estimated fair value at December 31, 2008.
- (3) Represents adjustment to reduce goodwill and intangible assets of Max to their estimated fair value at December 31, 2008.
- (4) The fair value of Max's reserve for property and casualty losses and loss adjustment expenses, life and annuity benefits, and loss and loss adjustment expenses recoverable were estimated based on the present value of the underlying cash flows of the loss reserves and recoverables. In determining the fair value estimate, IPC's management estimated a risk premium deemed to be reasonable and consistent with expectations in the marketplace given the nature and the related degree of uncertainty of such reserves. Such risk premium exceeded the discount IPC's management would use to determine the present value of the underlying cash flows.
- (5) Represents the estimated fair value of the profit within Max's unearned property and casualty premiums. In determining fair value, IPC's management estimated the combined ratio associated with Max's net unearned property and casualty premiums.
- (6) Represents adjustment to record Max's senior notes to their estimated fair value at December 31, 2008.

- (7) Common shares outstanding plus the gross amount of all warrants, options, restricted shares, RSUs, restricted common shares and performance share units outstanding as of the 12/31/2008 balance sheet date (Source: Max 2008 Form 10-K)

**Table of Contents**

In the afternoon on April 7, 2009, Kenneth L. Hammond, Chairman of IPC's board of directors, sent a letter to Mr. Noonan indicating that IPC's board of directors had reaffirmed its recommendation to combine with Max. The text of the letter reads as follows:

April 7, 2009

Edward J. Noonan  
Chairman & Chief Executive Officer  
Validus Holdings Ltd.  
19 Par-La-Ville Road  
Hamilton HM11  
Bermuda

Dear Mr. Noonan:

I am writing to respond to your letter of March 31, 2009, submitting an offer pursuant to which Validus would combine with IPC.

IPC's board of directors, after careful consultation with management and our financial and legal advisors, has unanimously concluded that the Validus proposal does not constitute a Superior Proposal as defined in the Agreement and Plan of Amalgamation with Max Capital Group Ltd. dated March 1, 2009. Furthermore, IPC's board of directors has unanimously reaffirmed its recommendation that IPC shareholders vote in favor of the transaction with Max.

In reaching its decision, IPC's board of directors considered several factors, including the following:

**The Validus Offer Fails to Meet IPC's Diversification Goals** During 2008, IPC's board of directors concluded that it would be in IPC's best interest to diversify beyond its monoline property catastrophe business model in order to reduce the volatility inherent in focusing on catastrophe reinsurance and to spread our risk base across less correlated risks. A key factor in our decision to choose Max over other options is our belief that Max's diversified operations offer the best path to achieve this goal. The decision was the result of a robust and thorough review of strategic alternatives. A transaction with Validus would not accomplish that strategic objective given Validus's substantial correlated catastrophe exposure.

**The Max Transaction Has Significant Value Creation Potential and Upside for IPC Shareholders** The combination with Max has the potential to create significant value for IPC shareholders, as detailed in the filed S-4 registration statement dated March 27, 2009. It also provides greater book value per share to IPC shareholders. Furthermore, Max's balance sheet has significantly lower goodwill and intangibles, resulting in an even greater tangible book value per share to IPC's shareholders. We are concerned that Validus's proposal enables Validus to raise capital at a discount to book value at the expense of IPC shareholders, on the other hand, the combination with Max allows deployment of capital under a combined business plan that benefits IPC's shareholders. Max's diversified book, when combined with IPC's, has the potential to reduce earnings volatility. Earnings volatility affects share price volatility, ratings and other important financial measures. A combination with Max carries less risk, as this combination is less exposed to catastrophe events and other risk concentrations. On the other hand, Validus's earnings and share price are more affected by catastrophe losses. At the time of the Validus offer, its share price was near the high end of its 52-week trading range, resulting in an exchange ratio that poses potential downside risk to IPC shareholders. In contrast, we entered into the transaction with Max at an exchange ratio determined at a time that Max was trading at 53% of its 52-week high.



The Validus Amalgamation Proposal Is Less Certain, Is Riskier for IPC's Shareholders and Would Take Longer to Close We currently expect to be able to complete the transaction with Max in June, with all regulatory approvals obtained. In contrast, in our view, any transaction with Validus likely could not be completed before September, right in the middle of the wind season. Our transaction with Max would have to be rejected by IPC shareholders before IPC would be able to conduct due diligence on

**Table of Contents**

and negotiate with Validus. There is no assurance IPC would, at that time, choose to enter into a transaction with Validus. Even if IPC were to proceed with Validus at that time, Validus and IPC would both need to obtain consents under their credit facilities before the deal could close, whereas no such additional consents would be necessary to close the IPC/Max transaction. Validus and IPC would also need to achieve satisfactory indications from the ratings agencies regarding the ratings outcomes of such a combination.

Given these considerations and others, the board of directors unanimously determined that the Validus proposal does not constitute a Superior Proposal as defined in our amalgamation agreement with Max. IPC remains committed to completing our transaction with Max, which we believe will create a diversified and balanced platform for growth that should drive stronger performance and value for shareholders for many years.

Sincerely,

Kenneth L. Hammond  
Chairman of the Board of Directors  
On Behalf of the IPC Holdings Board of Directors

In the afternoon on April 8, 2009, Validus sent a letter to Mr. Hammond, the Chairman of IPC's board of directors, regarding the IPC press release and letter and issued a press release announcing the letter. The text of the letter reads as follows:

April 8, 2009  
Kenneth L. Hammond  
Chairman  
IPC Holdings, Ltd.

American International Bldg.  
29 Richmond Road  
Pembroke, HM 08  
Bermuda

Dear Mr. Hammond,

I am writing in response to your letter of April 7, 2009, in which you confirm the continuing support of the IPC board for the Max takeover of IPC's operations.

I am disappointed with the Board's decision and respectfully disagree with your assessment of our Superior Proposal. I am confident that had your Amalgamation Agreement with Max allowed you to engage in dialogue with us, you would have instead supported the Validus Superior Proposal on behalf of your shareholders. In particular, although you cite a robust and thorough review of strategic alternatives, I am greatly disappointed that you never invited us to participate in that process, although you spoke with numerous potential buyers. To the extent that Max will release you from the restrictive terms of the Amalgamation Agreement, we continue to stand ready to discuss your objectives and how our business meets those objectives. Until you agree to discuss our proposal with us, we have no choice except to communicate directly with your shareholders. We believe the facts will demonstrate that our proposal is truly a Superior Proposal.

We hereby advise the shareholders of IPC that:

1. We have retained Georgeson as our proxy solicitor. We will shortly file proxy solicitation materials with the SEC and those materials will contain, among other things, the many reasons why we believe you should vote against the Max takeover. Once the proxy is effective, Georgeson will be in touch

**Table of Contents**

with IPC's shareholders to solicit their votes AGAINST the Max takeover. If, as we [hope],<sup>22</sup> IPC's shareholders vote down the Max takeover, you will be unencumbered by the restrictive Amalgamation Agreement and free to execute the Validus Agreement.

2. In our capacity as an IPC shareholder, we object to the punitive nature of the \$50 million Max Termination Fee. The Termination Fee is an unenforceable penalty under Bermuda law and we are commencing litigation to reduce this penalty. If successful,<sup>23</sup> we will permit IPC to pay the amount by which such penalty is reduced as a dividend to IPC shareholders, so that IPC shareholders and not Max or Validus shareholders will share in the value obtained.

I regret that the terms of the Max takeover preclude the management teams of IPC and Validus from cooperating in delivering a superior outcome for IPC shareholders, but we are pleased to work directly with your shareholders to achieve the same end. We remain fully committed to our proposal.

Sincerely,

/s/ Edward J. Noonan  
Edward J. Noonan  
Chairman and Chief Executive Officer

On April 9, 2009, Validus filed a preliminary proxy statement with the SEC with respect to soliciting votes from IPC shareholders against the approval of the Proposed Max Amalgamation.

On April 13, 2009, IPC filed an amendment ( Amendment No. 1 ) to the IPC/Max S-4, which, among other things, added to the disclosure regarding the background to the Proposed Max Amalgamation including the reasons as to why Validus was excluded from the process that resulted in the Proposed Max Amalgamation. Amendment No. 1 also contained a correction to IPC's diluted book value for the year ended December 31, 2008.

On April 16, 2009, Validus filed this preliminary proxy statement with respect to soliciting votes from Validus shareholders to approve the issuance of Validus Shares in connection with the Acquisition.

On April 21, 2009, Validus filed an amendment with the SEC to the preliminary proxy statement with respect to soliciting votes from IPC shareholders against the approval of the proposals related to the Proposed Max Amalgamation.

On April 28, 2009, IPC filed a second amendment to the IPC/Max S-4 with the SEC.

On April 28, 2009, Validus filed a claim in the Supreme Court of Bermuda against IPC, IPC Limited and Max (the Bermuda Claim ). The Bermuda Claim challenges the validity of the Max termination fee and provisions which restrict the ability of IPC to discuss competing proposals with third parties (the no talk provisions ) in the Max Amalgamation Agreement. Further, the Bermuda Claim alleges that by entering into the Max Amalgamation Agreement containing the Max termination fee and no talk provisions and continuing to act in accordance with the terms of these provisions, the directors of IPC acted in breach of their fiduciary and other duties and not in accordance with the constitution of IPC.

On April 30, 2009, Validus issued a press release outlining its three-part plan to expedite the Acquisition.

<sup>22</sup> As of the date of this proxy statement, the word hope has been inserted to replace the word expect in this sentence.

<sup>23</sup> As of the date of this proxy statement, the reference to success in this sentence relates to Validus success in pursuing the litigation strategy referenced in the immediately prior sentence followed by the successful consummation of the acquisition.

**Table of Contents**

On April 30, 2009, IPC issued a press release reaffirming its belief that the Validus Amalgamation Offer does not represent a superior proposal and that IPC's board of directors continues to recommend IPC shareholders vote in favor of the Proposed Max Amalgamation.

On May 1, 2009, Validus filed with the SEC an amendment to its preliminary proxy statement with respect to soliciting votes from IPC shareholders against the approval of the Proposed Max Amalgamation.

On May 1, 2009, Validus filed an application to expedite the trial of the Bermuda Claim

On May 4, 2009, IPC filed a third amendment to the IPC/Max S-4 with the SEC.

On May 5, 2009, Validus filed an investor presentation titled "Superior Proposal for IPC Shareholders" with the SEC and on May 6, 2009 filed a revised investor presentation with the SEC.

On May 6, 2009, Validus filed an amendment with the SEC to the preliminary proxy statement with respect to soliciting votes from IPC shareholders against the Proposed Max Amalgamation.

On May 7, 2009, IPC and Max filed a joint proxy statement/prospectus for the IPC/Max S-4 with the SEC and stated that they would mail the joint proxy statement/prospectus on Thursday, May 7, 2009 to their respective shareholders of record as of the close of business on April 28, 2009.

On May 8, 2009, Validus filed the definitive proxy statement with the SEC with respect to soliciting votes from IPC shareholders against the approval of the Proposed Max Amalgamation.

On May 8, 2009, Validus filed an amendment to this proxy statement with the SEC.

On May 11, 2009, Validus filed an amendment to this proxy statement with the SEC.

**Reasons Why Validus Board of Directors Recommends Approval of the Share Issuance**

By approving the Share Issuance, you will be enabling Validus to issue the shares necessary to effect the Acquisition. Validus' board of directors believes that the Acquisition represents a compelling combination and excellent strategic fit that will enable Validus to capitalize on opportunities in the global reinsurance market. Successful completion of the Acquisition would allow IPC shareholders to benefit from the superior growth potential of Validus, which would be a leading carrier in Bermuda's short-tail reinsurance and insurance markets following the Acquisition, with a strong balance sheet and quality diversification in profitable business lines. In reaching these conclusions and in determining that the Validus Amalgamation Agreement, the Acquisition and the Share Issuance are fair, advisable and in the best interests of Validus, and in recommending the approval of the Share Issuance, Validus' board of directors consulted with Validus management as well as legal and financial advisors and considered a number of factors. The factors included, but were not limited to, the following:

Validus' board of directors' analysis and understanding of the business, operations, financial performance, financial condition, earnings and future prospects of Validus and its assessment, based on such analysis and understanding, that Validus will have:

lines of business concentrated in short-tail lines where pricing momentum is strongest;

enhanced market position and client penetration that will make Validus a more significant player in short-tail reinsurance placements globally;

ability to add a significant amount of short-tail reinsurance premium to Validus' existing Bermuda infrastructure;

global and diversified operating platforms, with offices and underwriting facilities in Bermuda, at Lloyd's in London, Dublin, Singapore, New York and Miami;

enhanced size and scope, with GAAP capitalization of approximately \$4.1 billion and shareholders' equity of approximately \$3.7 billion (on a pro forma basis as of December 31, 2008);

continuing financial flexibility, with debt/total capitalization of only 1.8% and total leverage including hybrid securities of only 9.3%; and

the opportunity to reduce costs associated with running two separate public companies, including IPO's, NASDAQ listing fees, transfer agent fees, legal and accounting fees related to SEC filings and

**Table of Contents**

shareholder mailings, printing and mailing expenses for periodic reports and proxy statements, annual meeting expenses and other investor relations related expenses;

the fact that Validus will experience accretion to its book value and tangible book value per share as a result of the transaction;

the fact that Validus would remain within its stated limitations of reinsurance aggregates by exposure zone;

Validus board of directors understanding of the business, operations, and financial condition of IPC;

the ongoing representation by all of Validus existing directors on Validus board of directors after the Acquisition, and the fact that Validus senior management will continue to manage Validus;

the written opinion from Greenhill, delivered to Validus board of directors on March 31, 2009, to the effect that, based upon and subject to the various limitations and assumptions described therein, as of the date thereof, the exchange ratio was fair, from a financial point of view, to Validus, as described in *Opinion of Validus Financial Advisor* below;

the fact that no external financing is required for the transaction;

Validus board of directors belief, based on advice from legal counsel, that the Acquisition is likely to receive necessary regulatory approvals in a relatively timely manner without material adverse conditions;

the terms of the Validus Amalgamation Agreement, including:

the requirement that the Share Issuance be approved by holders of a majority of the outstanding Validus Shares casting votes at the Validus special meeting, as described in *The Amalgamation Agreement Conditions to the Amalgamation* below;

Validus may terminate the Validus Amalgamation Agreement if the total number of dissenting IPC Shares for which appraisal rights have been exercised pursuant to Bermuda law exceeds 15% of the outstanding IPC Shares, as described in *The Amalgamation Agreement Termination of the Amalgamation Agreement Termination* below.

Validus board of directors considered other factors in making its determination and recommendation, including the following:

the possibility that IPC would have to pay a termination fee of up to \$50 million to terminate the Max Amalgamation Agreement;

the fact that, in order to agree to a transaction with IPC, Validus board of directors thought the Validus Amalgamation Agreement would need to be substantially similar to the Max Amalgamation Agreement;

the restrictions on the conduct of Validus business imposed by the Validus Amalgamation Agreement prior to the consummation of the amalgamation, requiring Validus to conduct its business in the ordinary course, subject to specific limitations, which may delay or prevent Validus from undertaking business opportunities that may arise pending completion of the amalgamation;

the inability to control IPC's conduct of business before the Acquisition;



that Validus shareholders and IPC shareholders may not react favorably to the Validus Amalgamation Offer or the Acquisition, and the execution risk and additional costs that would be required to complete the Acquisition as a result of any legal actions and appraisal actions brought by IPC shareholders;

the effect of the announcement of the Acquisition on Validus share price if Validus shareholders do not view the Acquisition positively or if the Acquisition is not completed;

the potential disruption to Validus business that could result from the announcement and pursuit of the amalgamation, including the diversion of management and employee attention;

## **Table of Contents**

that Validus may wish to purchase retrocessional protection for the 2009 wind season and the cost and availability of that protection;

the possibility that IPC would not find the Validus Amalgamation Offer to be a superior proposal under the Max Amalgamation Agreement, which would entail additional costs in order to enable IPC shareholders to consider the Validus Amalgamation Offer;

the possibility that the amalgamation might not be completed due to difficulties with terminating the Max Amalgamation Agreement, obtaining sufficient shareholder approval, the occurrence of a material adverse effect on either company's business, or the inability to obtain required credit facility consents;

the fact that Validus may be required to pay IPC a termination fee of \$16 million, as described in *The Amalgamation Agreement Termination of the Amalgamation Agreement Effects of Termination; Remedies* below in certain circumstances;

the risk that A.M. Best, S&P or Moody's might lower the ratings of Validus or any of its reinsurance subsidiaries following the Acquisition;

the possibility that after consummation of the amalgamation Validus might find a material adverse fact or circumstance affecting IPC that was not disclosed by IPC in its publicly available financial and other information, which could have a material adverse effect on Validus; and

the risks described in this proxy statement under the section entitled *Risk Factors*.

The foregoing discussion of the information and factors considered by Validus' board of directors is not intended to be exhaustive, but is believed to include the material factors considered by Validus' board of directors. In view of the variety of factors considered in connection with its evaluation of the Validus Amalgamation Agreement, the Share Issuance and the other transactions contemplated by the amalgamation and the Validus Amalgamation Agreement, Validus' board of directors did not find it practicable to, and did not, quantify or otherwise assign specific weights to the factors considered in reaching its determination and recommendation. In addition, each of the members of Validus' board of directors may have given differing weights to different factors. Validus' board of directors believed that the positive factors discussed above outweighed the negative factors discussed above, especially after giving weight to the likelihood of occurrence.

## **Litigation**

On April 28, 2009, Validus filed the Bermuda Claim. On March 1, 2009, IPC and Max entered into the Max Amalgamation Agreement providing for the amalgamation of Max with IPC Limited. The Bermuda Claim challenges the validity of the Max termination fee and the no-talk provisions in the Max Amalgamation Agreement. Further, the Bermuda Claim alleges that by entering into the Max Amalgamation Agreement containing the Max termination fee and no talk provisions and continuing to act in accordance with the terms of these provisions, the directors of IPC acted in breach of their fiduciary or other duties and not in accordance with the constitution of IPC.

First, pursuant to the Max Amalgamation Agreement, in the event of an unsolicited alternate offer from a third party, the board of directors of IPC is required to consider whether such a proposal amounts to a superior proposal. The Bermuda Claim alleges however, that without the ability to engage in any discussions or information exchange with the offeror as a result of the no-talk provisions, the board of directors of IPC is restricted and/or precluded from properly exploring or evaluating whether in fact the alternate offer is a superior proposal. Second, in the event that a

superior proposal is being made and the directors of IPC vary or alter their recommendation of the Proposed Max Amalgamation within the contractual closing deadline, pursuant to the Max Amalgamation Agreement, Max would be entitled to terminate the Max Amalgamation Agreement and collect the Max termination fee from IPC. Under the Max Amalgamation Agreement, the Max termination fee is \$50,000,000. The Bermuda Claim alleges that this is equivalent to 4.97% of the aggregate consideration value of \$1,005,915,920 of the Proposed Max Amalgamation, based on the price of Max common shares on February 27, 2009, the last trading day before the signing of the

## Table of Contents

Max Amalgamation Agreement. The Bermuda Claim also alleges that the quantum of the Max termination fee is wholly excessive and was not calculated by reference to the costs and expenses that would be expected to be incurred by Max in the event that the Max Amalgamation Agreement was terminated and substantially exceeds Max's anticipated liability in respect of such costs and expenses, which, based upon disclosure in the IPC/Max Form S-4, is likely to be little more than \$10 million. Therefore, the Max Amalgamation Agreement constitutes an unlawful penalty whose predominant function, the Bermuda Claim alleges, is to deter IPC or IPC Limited from breaching the Max Amalgamation Agreement (including by way of recommending a superior proposal to its board of directors).

By agreeing to the Max Amalgamation Agreement containing the Max termination fee and no-talk provisions, as well as by continuing to act in accordance with their terms, the Bermuda Claim alleges that the directors of IPC have failed to retain sufficient flexibility to consider and, if thought fit, recommend an offer which may be more advantageous to IPC shareholders, improperly fettering their ability to exercise the powers conferred upon them by the constitution of IPC and/or act in the best interests of IPC and/or its shareholders. And by doing so, the directors of IPC have acted other than bona fide in the best interest of IPC and/or for an improper or collateral purpose, and the Max termination fee and no-talk provisions were therefore beyond the actual or implied authority of the board of directors of IPC, and as such, not binding on IPC and unenforceable by Max.

The Bermuda Claim requests: (1) declaratory relief that: (a) the Max termination fee constitutes an unlawful and unenforceable penalty, (b) in entering into the Max Amalgamation Agreement containing the Max termination fee and no-talk provisions, the directors of IPC acted in breach of duty and otherwise than in accordance with the constitution of IPC, (c) in continuing to act in accordance with the Max termination fee and no-talk provisions in the Max Amalgamation Agreement the directors of IPC continue to act in breach of duty and otherwise than in accordance with the constitution of IPC; (2) an injunction restraining IPC or IPC Limited from making any direct or indirect payment to Max pursuant to the Max termination fee and/or taking any steps, whether itself, or by its directors, servants, agents or otherwise to give effect to the no-talk provisions of the Max Amalgamation Agreement and/or the Max termination fee; (3) an order that IPC pay the costs of the proceedings; and (4) any other or further relief the Supreme Court of Bermuda may deem just and proper.

On May 1, 2009, Validus filed an application to expedite the trial of the Bermuda Claim. Validus requested that the Supreme Court of Bermuda set a schedule permitting a trial to be conducted commencing on an earlier date than any date on which IPC seeks to hold its annual general meeting to consider the proposals related to the Proposed Max Amalgamation. The application to expedite the trial is currently scheduled to be heard by the Supreme Court of Bermuda on May 11, 2009. Max and IPC have opposed the application and have now scheduled the annual general meeting of IPC shareholders for June 12, 2009.

### **Opinion of Validus Financial Advisor**

Validus's board of directors received an oral opinion, subsequently confirmed in writing, from Greenhill that, based upon and subject to the various limitations and assumptions described in the written opinion, as of March 31, 2009, the exchange ratio pursuant to the Validus Amalgamation Agreement was fair, from a financial point of view, to Validus.

**The full text of the written opinion of Greenhill, dated March 31, 2009, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limits on the opinion and the review undertaken in connection with rendering the opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. Greenhill's opinion is not a recommendation as to how Validus shareholders should vote with respect to the issuance of Validus Shares pursuant to the amalgamation or any other matter. The summary of Greenhill's opinion that is set forth below is qualified in its entirety by reference to the full text of the opinion. Validus shareholders are urged to read the opinion in its entirety.**

In connection with rendering its opinion, Greenhill, among other things:

reviewed the Validus Amalgamation Agreement dated as of March 31, 2009 as executed by Validus and Validus Ltd. (but not IPC as of the date of the opinion), and certain related documents;

reviewed certain publicly available financial statements of IPC and Validus;

reviewed certain other publicly available business and financial information relating to IPC and Validus that Greenhill deemed relevant;

**Table of Contents**

reviewed certain information, including financial forecasts and other financial and operating data concerning Validus prepared by the management of Validus;

discussed the past and present operations and financial condition and the prospects of Validus with senior executives of Validus;

reviewed the historical market prices and trading activity for IPC Shares and Validus common shares and analyzed their implied valuation multiples;

compared the value of the amalgamation consideration with that received in certain publicly available transactions that Greenhill deemed relevant;

compared the value of the amalgamation consideration with the trading valuations of certain publicly traded companies that Greenhill deemed relevant;

compared the value of the amalgamation consideration with the relative contribution of IPC to the pro forma combined company based on a number of metrics that Greenhill deemed relevant; and

performed such other analyses and considered such other factors as Greenhill deemed appropriate.

Given the unsolicited nature of the proposed amalgamation with IPC, Greenhill's review and analysis of IPC and its business and financial information were necessarily limited to information that was publicly available as of the date of the opinion. Greenhill did not review financial forecasts and other financial and operating data concerning IPC prepared by management of IPC or other non-public information regarding IPC, nor did Greenhill participate in discussions or negotiations among representatives of IPC and its legal or financial advisor and representatives of Validus or its legal advisor.

In giving its opinion, Greenhill assumed and relied upon, without independent verification, the accuracy and completeness of the information publicly available, supplied or otherwise made available to it by representatives and management of Validus for the purposes of its opinion. Greenhill further relied upon the assurances of the representatives and management of Validus that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts and projections and other data that were furnished or otherwise provided to it, Greenhill assumed that such financial forecasts and projections and other data were reasonably prepared on a basis reflecting the best currently available estimates and good faith judgments of the management of Validus as to those matters, and Greenhill relied upon such financial forecasts and projections and other data in arriving at its opinion. Greenhill expressed no opinion with respect to such financial forecasts and projections and other data or the assumptions upon which they were based. Greenhill did not make any independent valuation or appraisal of the assets or liabilities of IPC, nor was Greenhill furnished with any such appraisals. Greenhill assumed, with the consent of Validus' board of directors, that the amalgamation will be treated as a tax-free reorganization for federal income tax purposes. Greenhill assumed that the amalgamation will be consummated in accordance with the terms set forth in the final, fully executed Validus Amalgamation Agreement, which Greenhill further assumed will be identical in all material respects to the proposed Validus Amalgamation Agreement that Greenhill reviewed, and without amendment or waiver of any material terms or conditions set forth in the Validus Amalgamation Agreement. Greenhill further assumed that all material governmental, regulatory and other consents, approvals and waivers necessary for the consummation of the amalgamation will be obtained without any effect on IPC, Validus, the amalgamation or the contemplated benefits of the amalgamation meaningful to Greenhill's analysis. Greenhill's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, March 31, 2009. It should be understood that subsequent developments may

affect Greenhill's opinion, and Greenhill does not have any obligation to update, revise, or reaffirm its opinion.

Greenhill's opinion was for the information of Validus' board of directors and was not intended to be and is not a recommendation as to how Validus shareholders should vote with respect to the issuance of Validus Shares pursuant to the amalgamation or as to whether the Validus shareholders should take any other action at any meeting of the Validus shareholders convened in connection with the amalgamation or any other matter. Greenhill's opinion did not address the underlying business decision of Validus to engage in the amalgamation.

**Table of Contents**

or the relative merits of the amalgamation as compared to any other alternative strategies that might exist for Validus, and as such was not intended to be and did not constitute a recommendation to Validus board of directors as to whether they should approve the amalgamation, the Validus Amalgamation Agreement or any related matters. Greenhill did not express an opinion as to any aspect of the amalgamation, other than the fairness to Validus of the exchange ratio from a financial point of view. In particular, Greenhill did not express any opinion as to the prices at which Validus common shares will trade at any future time. Greenhill further did not express any opinion with respect to the amount or nature of any compensation to any officers, directors or employees of Validus, or any class of such persons relative to the exchange ratio or with respect to the fairness of any such compensation.

***Summary of Greenhill's Financial Analyses***

The following is a summary of the material financial analyses provided by Greenhill to Validus board of directors in connection with rendering its opinion described above. The summary set forth below does not purport to be a complete description of the analyses performed by Greenhill, nor does the order of analyses as set forth below represent the relative importance or weight given to those analyses by Greenhill. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are not alone a complete description of Greenhill's financial analyses.

***Exchange Ratio Analysis***

Greenhill calculated the historical range and average of exchange ratios (the price of an IPC common share divided by the price of a Validus common share). Using the daily closing prices of Validus common shares and IPC Shares, the low, high and average exchange ratios for the three-month, six-month and twelve-month periods ending on March 30, 2009 are set forth in the table below. The percent premium that the exchange ratio pursuant to the Validus Amalgamation Agreement represents over the average exchange ratios for each period is set forth in the table below.

|                    | <b>Low</b> | <b>Average</b> | <b>High</b> | <b>Premium</b> |
|--------------------|------------|----------------|-------------|----------------|
| March 30, 2009     |            |                |             | 18.0%          |
| Previous 3 Months  | 0.9304x    | 1.1120x        | 1.2414x     | 8.3%           |
| Previous 6 Months  | 0.9304x    | 1.1944x        | 1.5564x     | 0.8%           |
| Previous 12 Months | 0.9304x    | 1.2598x        | 1.5564x     | (4.5%)         |

***Transaction Multiple Analysis***

Greenhill calculated the multiple of a range of assumed offer values per IPC common share to several operating metrics for calendar years 2009 and 2010, including estimated earnings per share based upon mean estimates obtained from Institutional Brokers Estimate System, which we refer to as IBES. The calculations were based upon IPC Shares outstanding as of December 31, 2008 on a fully diluted basis. This analysis indicated the following multiples:

| <b>Assumed Value per<br/>IPC Share</b> | <b>2009E P/E<br/>IBES<br/>Estimate</b> | <b>2010E P/E<br/>IBES<br/>Estimate</b> | <b>Price / Book<br/>Value(1)</b> | <b>Price / Tangible<br/>Book Value(1)</b> |
|--|--|--|----------------------------------|---|
| \$26.96                                | 5.9x                                   | 5.6x                                   | 0.81x                            | 0.81x                                     |
| \$27.00                                | 5.9x                                   | 5.7x                                   | 0.82x                            | 0.82x                                     |
| \$28.00                                | 6.1x                                   | 5.9x                                   | 0.85x                            | 0.85x                                     |



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|         |      |      |       |       |
|---------|------|------|-------|-------|
| \$29.00 | 6.3x | 6.1x | 0.88x | 0.88x |
| \$30.00 | 6.5x | 6.3x | 0.91x | 0.91x |
| \$31.27 | 6.8x | 6.5x | 0.95x | 0.95x |

-72-

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**Table of Contents**

| <b>Assumed Value per<br/>IPC Share</b> | <b>2009E P/E<br/>IBES<br/>Estimate</b> | <b>2010E P/E<br/>IBES<br/>Estimate</b> | <b>Price / Book<br/>Value(1)</b> | <b>Price / Tangible<br/>Book Value(1)</b> |
|--|--|--|----------------------------------|---|
| \$32.27                                | 7.0x                                   | 6.8x                                   | 0.98x                            | 0.98x                                     |
| \$33.27                                | 7.2x                                   | 7.0x                                   | 1.01x                            | 1.01x                                     |
| \$34.27                                | 7.4x                                   | 7.2x                                   | 1.04x                            | 1.04x                                     |
| \$35.27                                | 7.7x                                   | 7.4x                                   | 1.07x                            | 1.07x                                     |
| \$36.27                                | 7.9x                                   | 7.6x                                   | 1.10x                            | 1.10x                                     |

- (1) Book value per IPC common share is calculated as of December 31, 2008 and does not reflect the impact of 493,000 unvested restricted stock units, restricted common shares and performance share units to be issued upon a change of control of IPC.

**Dividend Discount Analysis**

Greenhill performed a dividend discount analysis of IPC to determine a range of implied present values per IPC common share assuming that IPC continues to operate as a stand-alone company. This range was determined by adding the present value of the estimated future excess capital of IPC available to be dividended in each period and the present value of the estimated terminal value of IPC Shares. To estimate present values, Greenhill discounted the estimated future excess capital of IPC available to be dividended in each period through 2013 and the estimated terminal value of IPC Shares by a range of discount rates that take into account risk, the opportunity cost of capital, expected returns and other appropriate factors.

In connection with this analysis, Greenhill utilized 5-year net income and revenue projections based on IBES estimates for 2009 and 2010, extrapolated by Greenhill to 2013. In calculating these extrapolations, Greenhill assumed, among other things, a 4.0% return on total assets, with projections based on an assumed total assets to total equity ratio of 1.30x. In addition, Greenhill assumed that 493,000 unvested restricted shares of IPC would vest at the end of 2009, and that IPC would continue to pay an aggregate annual dividend equal to \$0.88 per IPC common share throughout the 5-year projection period.

Greenhill then calculated a range of implied present values per IPC common share by applying:

a range of terminal multiples of 0.70x to 0.90x to year 2013 estimated book value of IPC Shares; and

a range of discount rates of 9.0% to 11.0% to each of the estimated future excess capital of IPC available to be dividended in each period through 2013 and the estimated terminal value of IPC Shares.

This analysis resulted in a range of implied present values per IPC common share from \$25.99 to \$35.34.

**Comparable Company Analysis**

Greenhill reviewed and compared specific financial multiples, ratios and operating statistics of IPC to corresponding financial multiples, ratios and operating statistics for selected publicly traded reinsurance companies and compared the trading value of IPC to the trading values of the selected companies. The companies chosen by Greenhill were:

ACE Limited

Allied World Assurance Company Holdings Ltd

Arch Capital Group Ltd.

Aspen Insurance Holdings Limited

Axis Capital Holdings Limited

Endurance Specialty Holdings Ltd.

Everest Re Group, Ltd.

Flagstone Reinsurance Holdings Limited

-73-

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**Table of Contents**

Greenlight Capital Re, Ltd.

IPC Holdings, Ltd.

Max Capital Group Ltd.

Montpelier Re Holdings, Ltd.

Munich Re Group

Odyssey Re Holdings Corp.

PARIS RE Holdings Limited

PartnerRe Ltd.

Platinum Underwriters Holdings, Ltd.

RenaissanceRe Holdings Ltd.

Swiss Reinsurance Company Ltd.

TransAtlantic Holdings, Inc.

XL Capital Ltd

For each of the companies identified above, Greenhill calculated and compared various financial multiples, ratios and operating statistics based on publicly available financial data and closing share prices as of March 25, 2009.

Although none of the companies are directly comparable to IPC (other than IPC), Greenhill selected these companies because they had publicly traded equity securities and were deemed to be similar to IPC in one or more respects including the nature of their business, size, diversification, financial performance and geographic concentration. This analysis indicated the following mean and median trading multiples for the selected companies:

|        | <b>Price /<br/>Book Value</b> | <b>Price /<br/>Tangible<br/>Book<br/>Value</b> | <b>Price / EPS<br/>Last<br/>12 Months</b> | <b>Price / EPS<br/>2009E</b> | <b>Price / EPS<br/>2010E</b> |
|--------|-------------------------------|--|---|------------------------------|------------------------------|
| Mean   | 0.83x                         | 0.90x  | 7.9x                                      | 6.1x                         | 5.9x                         |
| Median | 0.83x                         | 0.85x  | 7.5x                                      | 5.7x                         | 5.6x                         |

Greenhill then applied a range of selected multiples derived from the selected companies to corresponding financial data of IPC for the corresponding periods. This analysis indicated the following ranges of implied equity value and per share value for IPC:

| <b>Statistic</b>    | <b>Implied Per Share Value(2)</b> |
|---------------------|-----------------------------------|
| 2009E Net Income(1) | \$ 23.01 - \$29.92                |
| 2010E Net Income(1) | \$ 23.88 - \$28.66                |
| Book Value          | \$ 26.47 - \$28.12                |
| Tangible Book Value | \$ 26.47 - \$29.78                |

(1) Estimates are mean IBES.

(2) Assumes 55,943,297 fully diluted IPC Shares outstanding.

### ***Precedent Transaction Analysis***

Global Reinsurance Transactions. Using publicly available information, Greenhill analyzed selected merger and acquisition transactions with transaction values over \$100 million in the global reinsurance

**Table of Contents**

industry beginning in February 1999. The following table identifies the global reinsurance transactions reviewed by Greenhill in this analysis:

| <b>Announcement Date</b> | <b>Target</b>                         | <b>Acquiror</b>                       |
|--------------------------|---------------------------------------|---------------------------------------|
| August 4, 2008           | CastlePoint Holdings, Ltd.            | Tower Group, Inc.                     |
| January 7, 2008          | Helicon Re Holdings, Ltd.             | White Mountains Insurance Group, Ltd. |
| November 5, 2007         | PXRE Reinsurance Company              | TAWA plc                              |
| December 9, 2003         | ABB Insurance Holding<br>Sweden AB    | White Mountains Insurance Group, Ltd. |
| October 24, 2003         | ERC Life Reinsurance<br>Corporation   | Scottish Re Group Limited             |
| December 19, 1999        | LaSalle Re Holdings Limited           | Trenwick Group Inc.                   |
| August 15, 1999          | Terra Nova (Bermuda)<br>Holdings Ltd. | Markel Corporation                    |
| June 21, 1999            | Chartwell Re Corporation              | Trenwick Group Inc.                   |
| May 27, 1999             | Capital Re Corporation                | ACE Limited                           |
| February 15, 1999        | NAC Re Corp.                          | XL Capital Ltd.                       |

For the selected global reinsurance transactions, to the extent this information was available, Greenhill calculated the multiples implied by each transaction relative to a number of metrics, including the target company's book value and tangible book value at the time of such transaction. This analysis indicated the following mean and median multiples for the selected global reinsurance transactions:

|        | <b>GAAP Multiples</b> |                            |
|--------|-----------------------|----------------------------|
|        | <b>Book Value</b>     | <b>Tangible Book Value</b> |
| Mean   | 0.99x                 | 1.03x                      |
| Median | 0.95x                 | 0.96x                      |

Greenhill then applied a range of selected multiples derived from the selected global reinsurance transactions to corresponding financial data of IPC for the corresponding date. This analysis indicated the following ranges of implied equity value and per share value for IPC:

| <b>Statistic</b>    | <b>Implied Per Share Value(1)</b> |
|---------------------|-----------------------------------|
| Book Value          | \$ 29.52-\$39.36                  |
| Tangible Book Value | \$ 29.52-\$39.36                  |

(1) Assumes 55,943,297 fully diluted IPC Shares outstanding and 493,000 unvested restricted stock units, restricted common shares and performance share units, for a total share count of 56,436,297.

**Stock Transaction Premium Analysis.** Greenhill analyzed the premiums paid in stock-for-stock merger and acquisition transactions since March 2004 with a transaction value of between \$500 million and \$5 billion. Greenhill calculated, for each of these transactions, the premium of the transaction exchange ratio over the historical closing prices for each

of the one-day, one-week and one-month periods prior to announcement of such transaction. Greenhill then applied the medians and ranges of such premiums, shown in the table below, to corresponding closing prices per IPC common share, using the day immediately prior to the announcement of IPC's proposed merger with Max as the corresponding announcement date. This analysis indicated a range of implied values per IPC share shown below:

| <b>Timing</b>   | <b>Median Premium</b> | <b>Premium Range</b> | <b>Implied Per Share Value</b> |
|-----------------|-----------------------|----------------------|--------------------------------|
| One Day Prior   | 15.8%                 | 14.0% - 19.0%        | \$28.97-\$30.24                |
| One Week Prior  | 16.7%                 | 15.0% - 20.0%        | \$32.20-\$33.60                |
| One Month Prior | 18.1%                 | 16.0% - 21.0%        | \$29.77-\$31.05                |

-75-

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**Table of Contents**

It should be noted that no transaction utilized in the analyses above is identical to the proposed amalgamation. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in these transactions and other factors that could affect the premiums and multiples in these transactions to which the proposed amalgamation is being compared.

**Book Value Growth Analysis**

Using mean Bloomberg estimates of IPC net income and book value through the end of year 2009, Greenhill calculated the implied price to book value multiple that a range of assumed offer values per IPC common share would represent at the end of each quarter during the projection period. For purposes of these calculations, Greenhill assumed that IPC would continue to pay its current quarterly dividend of \$0.22 through the projection period. This analysis indicated that due to IPC's projected book value growth, the implied price to book value multiple would decrease over time, as illustrated below:

| <b>Assumed<br/>Per Share Value</b> | <b>December 31,<br/>2008</b> | <b>March 31,<br/>2009</b> | <b>June 30,<br/>2009</b> | <b>September 30,<br/>2009</b> | <b>December 31,<br/>2009</b> |
|------------------------------------|------------------------------|---------------------------|--------------------------|-------------------------------|------------------------------|
| \$29.97                            | 0.906x                       | 0.875x                    | 0.847x                   | 0.835x                        | 0.811x                       |
| \$30.23                            | 0.914x                       | 0.883x                    | 0.854x                   | 0.843x                        | 0.818x                       |
| \$30.49                            | 0.922x                       | 0.891x                    | 0.861x                   | 0.850x                        | 0.825x                       |
| \$30.75                            | 0.929x                       | 0.898x                    | 0.869x                   | 0.857x                        | 0.832x                       |
| \$31.01                            | 0.937x                       | 0.906x                    | 0.876x                   | 0.865x                        | 0.839x                       |
| \$31.27                            | 0.945x                       | 0.913x                    | 0.884x                   | 0.872x                        | 0.846x                       |

**Pro Forma Combined Company Analysis**

Greenhill analyzed certain financial data on a pro forma basis for IPC and Validus as a combined company following the amalgamation. Greenhill based its analyses on publicly available information and information and projections provided by Validus as described above.

Greenhill compared, among other things, the book value per share, tangible book value per share and projected earnings per share for Validus on a standalone basis and for the pro forma combined company. Greenhill then analyzed the accretive or dilutive effects of the amalgamation to Validus shareholders for a range of assumed exchange ratios. This analysis indicated the following accretive or dilutive effects:

| <b>Assumed<br/>Exchange Ratio</b> | <b>Accretion / (Dilution)</b> |                  |                                     | <b>Tangible Book<br/>Value Per<br/>Share</b> |
|-----------------------------------|-------------------------------|------------------|-------------------------------------|--|
|                                   | <b>2009E EPS</b>              | <b>2010E EPS</b> | <b>Book<br/>Value<br/>Per Share</b> |  |
| 1.156x                            | (4.3)%                        | (4.5)%           | 6.7%                                | 10.9%  |
| 1.177x                            | (5.1)%                        | (5.3)%           | 5.9%                                | 10.1%  |
| 1.198x                            | (5.9)%                        | (6.0)%           | 5.0%                                | 9.2%   |
| 1.219x                            | (6.6)%                        | (6.8)%           | 4.2%                                | 8.3%   |
| 1.240x                            | (7.4)%                        | (7.5)%           | 3.4%                                | 7.5%   |
| 1.261x                            | (8.1)%                        | (8.3)%           | 2.6%                                | 6.6%   |



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|        |         |         |      |      |
|--------|---------|---------|------|------|
| 1.282x | (8.8)%  | (9.0)%  | 1.8% | 5.8% |
| 1.303x | (9.5)%  | (9.7)%  | 1.0% | 5.0% |
| 1.324x | (10.2)% | (10.4)% | 0.3% | 4.2% |
| 1.345x | (10.9)% | (11.1)% | 0.3% | 3.4% |
| 1.366x | (11.6)% | (11.8)% | 0.4% | 2.6% |

In addition, Greenhill analyzed the pro forma combined company's business lines, investment portfolio, balance sheet and capital base relative to each of Validus and IPC on a standalone basis. Further, Greenhill conducted a comparison regarding the pro forma combined company's equity as of December 31, 2008 relative to certain of its peers and each of Validus and IPC on a standalone basis. Greenhill also performed a

## **Table of Contents**

contribution analysis of the relative contributions of each of Validus and IPC with respect to the pro forma combined company's balance sheet, gross written premiums and other items.

The summary set forth above does not purport to be a complete description of the analyses performed by Greenhill, but describes, in summary form, the material analyses that Greenhill conducted in connection with rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Greenhill did not attribute any particular weight to any analyses or factors it considered and did not form an opinion as to whether any individual analysis or factor, considered in isolation, supported or failed to support its opinion. Rather, Greenhill considered the totality of the factors and analyses performed in determining its opinion. Accordingly, the summary set forth above and the analyses of Greenhill must be considered as a whole and selecting portions thereof, without considering all of its analyses, could create an incomplete view of the processes underlying Greenhill's analyses and opinion. Greenhill based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions and industry-specific factors. Analyses based on forecasts or projections of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties or their advisors. Accordingly, Greenhill's analyses are not necessarily indicative of actual values or actual future results that might be achieved, which values may be higher or lower than those indicated. Moreover, Greenhill's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. In addition, no company (other than IPC) or transaction used in Greenhill's analysis as a comparison is directly comparable to IPC, Validus or the contemplated transaction. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Validus or Greenhill or any other person assumes responsibility if future results are materially different from those forecasts or projections.

Greenhill's opinion and analyses were provided to Validus' board of directors in connection with its consideration of the proposed amalgamation and were among many factors considered by Validus' board of directors in evaluating the proposed amalgamation. While Greenhill provided advice to Validus during this process, it did not recommend any specific amount of consideration to Validus or Validus' board of directors or that any specific amount of consideration would constitute the only appropriate consideration for the amalgamation. Neither Greenhill's opinion nor its analyses should be viewed as determinative of the consideration or the views of Validus' board of directors with respect to the proposed amalgamation.

### ***Engagement of Greenhill***

Validus selected Greenhill as its financial advisor in connection with the proposed amalgamation based on its qualifications and expertise in providing financial advice to acquirors, target companies and their respective boards of directors in merger and acquisition transactions. Greenhill will receive an aggregate fee of \$10.0 million for their services rendered in connection with the Acquisition, \$2.75 million of which has already been paid and \$7.25 million of which is contingent on the consummation of the Acquisition. In addition, Validus has agreed to indemnify Greenhill for certain liabilities arising out of its engagement, including liabilities under U.S. federal securities laws.

During the two years preceding the date of its opinion, Greenhill was not previously engaged by, did not perform any services for, and did not receive any compensation from, Validus or any other parties to the amalgamation (other than any amounts that were paid to Greenhill under its engagement in connection with the proposed amalgamation). As of the date of Greenhill's opinion, four merchant banking funds affiliated with Greenhill owned an aggregate of 2,571,427 Validus Shares, and certain employees of Greenhill and its affiliates had interests in one or more of such funds.

### **Interests of Validus Directors and Executive Officers in the Acquisition**

The consummation of the Acquisition will not be deemed to be a change in control impacting grants under any of Validus' long-term incentive or stock option plans, or a change in control under any employment

## **Table of Contents**

agreement between Validus and any of its employees. As a result, no options or other equity grants held by such persons will vest as a result of the Acquisition.

### **Validus Shareholder Approval of Share Issuance**

The affirmative vote of a majority of the votes cast at the Validus special meeting, at which a quorum is present in accordance with Validus' by-laws, is required to approve the Share Issuance, as described below under *Proposals to Be Submitted to Validus Shareholders Vote; Voting Requirements and Recommendations Proposal 1: Share Issuance* on page 97. All of the officers and those directors and shareholders who are qualified sponsors (as defined in this proxy statement) and who own Validus Shares have indicated that they intend to vote the Validus Shares owned by them in favor of the Share Issuance Proposal and the Adjournment Proposal. As of March 13, 2009, these persons and entities beneficially owned 42.4% of the voting interests relating to the Validus Shares. All of our officers, directors and qualified sponsors together own 57.4% of the economic interests relating to all outstanding common shares of Validus.

### **Listing of Validus Shares**

It is a condition to the closing of the Acquisition that the Validus Shares issuable to IPC shareholders in the Acquisition and the Validus Shares to be reserved for issuance upon the exercise of IPC options and the vesting of IPC Shares authorized to be issued under IPC's outstanding equity compensation plans shall have been authorized for listing on the NYSE, subject to official notice of issuance.

### **Dividends and Distributions**

Each of Validus and IPC regularly pays a quarterly cash dividend. Under the terms of the Validus Amalgamation Agreement, before the amalgamation closes, Validus and IPC are permitted to declare and pay ordinary course quarterly dividends on their common shares with record and payment dates consistent with past practice; *provided* that any such dividend is at a rate no greater than the rate it paid during the fiscal quarter immediately preceding the date of the Validus Amalgamation Agreement, *i.e.*, \$0.20 per common share in Validus' case and \$0.22 per common share in IPC's case.

Pursuant to the Validus Amalgamation Agreement, Validus and IPC will coordinate the declaration of, and setting of record dates and payment dates for, dividends on Validus common shares and IPC Shares so that the IPC shareholders do not receive dividends on both the IPC Shares and the Validus Shares received in the amalgamation in respect of any calendar quarter or fail to receive a dividend in respect of any calendar quarter.

### **Anticipated Accounting Treatment**

The Acquisition will be accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141(R), Business Combinations, ( *FAS 141(R)* ) under which the total consideration paid in the Acquisition will be allocated among acquired tangible and intangible assets and assumed liabilities based on the fair values of the tangible and intangible assets acquired and liabilities assumed. In the event there is an excess of the total consideration paid in the Acquisition over the fair values, the excess will be accounted for as goodwill. Intangible assets with definite lives will be amortized over their estimated useful lives. Goodwill resulting from the Acquisition will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that management of Validus determines that the value of goodwill has become impaired, an accounting charge will be taken in the fiscal quarter in which such determination is made. In the event there is an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid in the Acquisition, the excess will be accounted for in accordance with FAS 141(R). The excess

resulting from the Acquisition will be recognized in earnings as a gain attributable to the acquirer on the acquisition date. Validus anticipates the Acquisition will result in an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid in the Acquisition.

## **Table of Contents**

### **Sources of Funds, Fees and Expenses**

The aggregate acquisition consideration paid to IPC shareholders will consist of a number of shares of Validus Shares determined in accordance with the exchange ratio and cash in lieu of fractional shares.

It is anticipated that Validus will incur an aggregate of approximately \$20.0 million in expenses in connection with the Acquisition, including:

approximately \$19.0 million in financial, legal, accounting and tax advisory fees;

approximately \$90,000 in SEC filing fees;

approximately \$350,000 in printing, solicitation and mailing expenses associated with this proxy statement; and

approximately \$560,000 in miscellaneous expenses.

These amounts do not include the expenses IPC would incur in the Acquisition.

Validus engaged Greenhill as financial advisor with respect to its strategic process and the Acquisition. In connection with Greenhill's services to Validus, Validus has agreed to pay Greenhill an aggregate fee of \$10.0 million, \$2.75 million of which has already been paid and \$7.25 million of which is contingent upon the closing of the Acquisition.

Validus has also engaged Dowling & Partners Securities, LLC (Dowling) as capital markets advisor with respect to the Acquisition. In connection with Dowling's services, Validus agreed to pay Dowling an aggregate fee of \$2.0 million. Payment of the fee to Dowling is not conditioned on the successful acquisition of IPC Shares by Validus in the Acquisition. In addition, Validus will reimburse Dowling for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify Dowling and its affiliates in connection with Dowling's services against certain liabilities in connection with their engagement, including liabilities under the U.S. federal securities laws.

### **THE AMALGAMATION AGREEMENT**

*The following section contains summaries of selected material provisions of the Validus Amalgamation Agreement. These summaries are qualified in their entirety by reference to the Validus Amalgamation Agreement which is incorporated by reference in its entirety and attached to this proxy statement as Annex A. You should read that document in its entirety because it, and not this proxy statement, is the legal document that would govern the amalgamation. In response to IPC's rejection of the Validus Amalgamation Offer, Validus is engaging in efforts to move forward with the transaction without IPC's cooperation. These efforts will necessitate certain changes to the Validus Amalgamation Agreement which are not material to Validus or IPC shareholders. For example, the Validus Amalgamation Agreement contemplates Validus and IPC would cooperate in the preparation and filing of a joint proxy statement/prospectus regarding the amalgamation which would have included soliciting the votes we are seeking by this proxy statement. Certain other provisions regarding timing and process would need to be updated similarly.*

*The representations, warranties and covenants contained in the Validus Amalgamation Agreement would be made only for purposes of the Validus Amalgamation Agreement and as of a specific date and may be subject to more recent developments, will be solely for the benefit of the parties to the Validus Amalgamation Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by disclosures made for the purposes of allocating risk between the parties to the Validus Amalgamation Agreement instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by you or by other investors. For the foregoing reasons, you should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of IPC, Validus or Validus Ltd. or any of their respective subsidiaries or affiliates.*

## **Table of Contents**

### **Structure of the Amalgamation**

Pursuant to the Validus Amalgamation Agreement, IPC will amalgamate with Validus Ltd., a direct, wholly owned subsidiary of Validus, with the amalgamated company continuing as the surviving company and succeeding to and assuming all of the rights, properties, liabilities and obligations of IPC and Validus Ltd., if all the conditions provided in the Validus Amalgamation Agreement, which are summarized in *Conditions to the Amalgamation* below, are satisfied or waived. The name of the amalgamated company will be Validus Ltd.

Upon closing of the amalgamation, Validus board of directors would consist of the directors serving on the board of directors of Validus before the amalgamation; however, Validus has expressed to the IPC directors that if they desire to participate in the leadership of Validus after the amalgamation, Validus would consider that. Upon closing of the amalgamation, the officers of Validus will be the officers serving Validus before the amalgamation.

### **Closing; Completion of the Amalgamation**

The closing is expected to occur on the third business day after the satisfaction or waiver of all closing conditions, which are summarized in *Conditions to the Amalgamation* below, unless otherwise agreed in writing by the parties, except that the closing may be postponed if either party requests a book value estimate from the other party pursuant to the Validus Amalgamation Agreement, as described in *Book Value Calculations* below.

The amalgamation will become effective on the date on which the certificate of amalgamation is issued by the Registrar of Companies in Bermuda or such other time as the certificate of amalgamation may provide. The application for the certificate of amalgamation will be filed by IPC and Validus Ltd. with the Registrar of Companies in Bermuda on or prior to the closing date of the amalgamation.

### **Amalgamation Consideration**

At the effective time of the amalgamation, the Validus Amalgamation Agreement provides that each IPC common share issued and outstanding immediately prior to the effective time of the amalgamation (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law, and excluding any shares held by Validus, IPC or any of their respective subsidiaries) will be converted into the right to receive, subject to adjustment as described below, for each IPC common share:

Validus Shares equal to the exchange ratio; and

cash consideration in lieu of fractional shares.

This consideration is collectively referred to as the *amalgamation consideration*.

### **Exchange Ratio**

The exchange ratio is 1.2037. Each IPC Share issued and outstanding immediately prior to the effective time of the amalgamation (including any shares held by IPC shareholders that do not vote in favor of the amalgamation, but excluding any dissenting shares as to which appraisal rights have been exercised pursuant to Bermuda law, and excluding any shares held by Validus, IPC or any of their respective subsidiaries) will be cancelled and converted into the right to receive Validus Shares equal to this exchange ratio.



***Fractional Shares***

Validus will not issue any fractional Validus Shares in connection with the amalgamation. Instead, any IPC shareholder who would otherwise have been entitled to a fraction of a Validus Share in connection with the amalgamation will be paid, upon surrender of title to all IPC Shares held by such shareholder, an amount in cash determined by multiplying such fraction by the average Validus share price (such average Validus common share price is determined by valuing Validus Shares based on the volume weighted average price per

-80-

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## **Table of Contents**

Validus common share on the NYSE for the five consecutive trading days immediately preceding the second trading day prior to the closing of the amalgamation).

### ***Example of Amalgamation Consideration***

For example, with the exchange ratio being 1.2037, an IPC shareholder owning 100 IPC Shares will receive total consideration valued at 120.37 Validus Shares. Under the Validus Amalgamation Agreement, such shareholder's amalgamation consideration would be 120 Validus Shares and for the fractional remainder, an amount of cash equal to the value of one Validus Share (determined in the manner described above) *times* .37.

Unless otherwise required by law or Validus agreement with the exchange agent, any portion of the exchange fund held by the exchange agent that has not been distributed to IPC shareholders six months following the effective time of the amalgamation will be delivered to Validus, upon demand, and after such transfer, any IPC shareholder may look only to Validus for payment of the amalgamation consideration and any dividends or distributions with respect to Validus Shares.

### **Treatment of IPC Share Options and Other IPC Equity Awards**

At the effective time of the amalgamation, all outstanding options to purchase IPC Shares will cease to represent a right to acquire IPC Shares and will automatically be converted into new options to purchase, on substantially similar terms, such number of Validus Shares and at an exercise price per share determined as follows:

*Number of Shares:* the number of Validus Shares subject to new options will be equal to the product of (1) the number of IPC Shares subject to IPC share options immediately before the effective time of the amalgamation and (2) the exchange ratio, the product being rounded, if necessary, to the nearest whole share; and

*Exercise Price:* the exercise price per Validus Share purchasable upon exercise of the new options will be equal to (1) the per share exercise price of the IPC share option divided by (2) the exchange ratio, the quotient being rounded, if necessary, to the nearest cent.

At the effective time of the amalgamation, any holder of an outstanding right of any kind to acquire IPC Shares or benefits measured by the value of IPC Shares (other than share options) will have such right automatically converted into the right to acquire or receive benefits measured by the value of the number of Validus Shares equal to the product of (1) the number of IPC Shares subject to the outstanding right immediately before the effective time of the amalgamation and (2) the exchange ratio (rounded down, if necessary, to the nearest number of whole shares). The Validus Shares received for such IPC Shares will remain subject to the same restrictions that applied before the amalgamation was effective and will otherwise have the same terms and conditions (taking into account any accelerated vesting thereunder) as were applicable before the effective time of the amalgamation.

### **Representations and Warranties of the Parties in the Amalgamation Agreement**

The Validus Amalgamation Agreement contains various customary representations and warranties of IPC and Validus (and Validus Ltd. with respect to specified sections) relating to, among other things:

organization, good standing and corporate power;

capital structure;

authorization to enter into, and enforceability of, the Validus Amalgamation Agreement;

the absence of conflicts with, or violations of, (1) organizational documents, (2) applicable law or (3) material agreements, indentures or other instruments, in each case as a result of the amalgamation or entry into the Validus Amalgamation Agreement;

the filing, accuracy and completeness of SEC reports, the preparation and presentation of financial statements, and the absence of undisclosed liabilities;

**Table of Contents**

compliance with applicable laws and reporting requirements;

absence of material pending or threatened legal and arbitration proceedings and investigations;

tax matters;

absence of certain changes or events in the business or condition of each party;

approvals of the boards of directors in connection with the amalgamation;

the required vote of shareholders;

agreements with regulatory agencies or governmental authorities;

insurance matters, including statements and reports filed with applicable insurance regulatory authorities;

investments and derivatives;

material and intercompany contracts;

employee benefits and executive compensation;

labor relations and other employment matters;

intellectual property;

real and leased properties;

broker's fees payable in connection with the amalgamation;

investment advisor status;

the opinion of each party's financial advisor as to fairness from a financial point of view; and

inapplicability of takeover statutes to the amalgamation.

Some of the representations and warranties of Validus, Validus Ltd. and IPC in the Validus Amalgamation Agreement are qualified by materiality thresholds, or a *material adverse effect* clause. For purposes of the Validus Amalgamation Agreement, the *material adverse effect* clause and its related definition contemplate any change, state of facts, circumstance, event or effect that is materially adverse to the financial condition, properties, assets, liabilities, obligations (whether accrued, absolute, contingent or otherwise), businesses or results of operations of a party and its subsidiaries, taken as whole, except any such effect to the extent resulting from any of the following is excluded from the definition of material adverse effect:

the execution, delivery and announcement of the Validus Amalgamation Agreement and the transactions contemplated thereby;

changes in economic, market, business, regulatory or political conditions generally in the United States or in Bermuda or any other jurisdiction in which such party operates or in the Bermudian, U.S. or global financial markets except to the extent such changes have a materially disproportionate effect on a party relative to other similarly situated persons in the property and casualty reinsurance industry;

changes, circumstances or events generally affecting the property and casualty insurance and reinsurance industries in the geographic areas in which such party operates, except to the extent such changes have a materially disproportionate effect on a party relative to other similarly situated persons in the property and casualty reinsurance industry;

changes, circumstances or events resulting in liabilities under property catastrophe reinsurance, including any effects resulting from any earthquake, hurricane, tornado, windstorm, terrorist act, act of war or other natural or man-made disaster;

**Table of Contents**

changes in any applicable law, except to the extent such changes have a materially disproportionate effect on a party relative to other similarly situated persons in the property and casualty reinsurance industry;

changes in generally accepted accounting principles or in statutory accounting principles (or local equivalents in the applicable jurisdiction) prescribed by the applicable insurance regulatory authority, including accounting and financial reporting pronouncements by the Bermuda Monetary Authority (the BMA ), the SEC, the National Association of Insurance Commissioners and the Financial Accounting Standards Board, except to the extent such changes have a materially disproportionate effect on a party relative to other similarly situated persons in the property and casualty reinsurance industry;

any change or announcement of a potential change in its or any of its subsidiaries' credit or claims-paying rating or A.M. Best rating or the ratings of any of its or its subsidiaries' businesses or securities, but not excluding the underlying cause of such change or announcement;

a change in the trading prices or volume of such party's capital shares, but not excluding the underlying cause of such a change;

the failure to meet any revenue, earnings or other projections, forecasts or predictions for any period ending after the date of the Validus Amalgamation Agreement, but not excluding the underlying cause of such failure;

the commencement, occurrence or continuation of any war or armed hostilities except to the extent any such changes have a materially disproportionate effect on a party relative to other similarly situated persons in the property and casualty reinsurance industry;

any action or failure to act required to be taken by a party pursuant to the terms of the Validus Amalgamation Agreement; and/or

a party's ability to perform its obligations under the Validus Amalgamation Agreement or to consummate the transactions contemplated thereby.

In most instances, the representations and warranties of Validus, Validus Ltd. and IPC in the Validus Amalgamation Agreement that are qualified by "material adverse effect" are qualified only to the extent the failure of such representations or warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a "material adverse effect" on Validus, Validus Ltd. or IPC, as the case may be.

**Conduct of Business Pending the Closing of the Amalgamation**

The Validus Amalgamation Agreement requires that each of IPC and Validus, subject to certain exceptions, as consented to in writing by the other party or as expressly noted below as solely applicable to IPC and its subsidiaries during the period from the signing of the Validus Amalgamation Agreement to the effective time of the amalgamation, it and its subsidiaries, among other things, (1) will conduct its respective businesses in the ordinary course consistent with past practice and use commercially reasonable efforts to preserve intact its business organization, maintain permits and licenses and preserve relationships with its employees, customers, investment advisors and managers, regulators, financing providers and others having business dealings with it and (2) will not:

declare or pay any dividend or make other distributions, with limited exceptions including ordinary course quarterly dividends on its common shares with record and payment dates consistent with past practice and at a rate no greater than the rate it paid in the fiscal quarter immediately preceding the date of the Validus

Amalgamation Agreement;

split, combine or reclassify, or propose to split, combine or reclassify, any of its share capital, or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of or in substitution for, shares of its share capital;

**Table of Contents**

in the case of IPC and its subsidiaries, repurchase, redeem or otherwise acquire any shares of its or any of its subsidiaries share capital or any securities convertible into or exercisable for any such shares, other than repurchases, redemptions or acquisitions by a wholly owned subsidiary of share capital or such other securities, as the case may be, of another of its wholly owned subsidiaries;

issue, deliver or sell any shares of any class of its capital shares, any voting debt, any share appreciation rights or any securities convertible into, or exercisable or exchangeable for, any rights, warrants or options to acquire such shares or voting debt, other than as required by its existing equity benefit plans and issuances by any of its wholly owned subsidiaries to it or to another of its wholly owned subsidiaries;

amend or propose to amend its organizational documents or those of any of its subsidiaries, except as provided in the Validus Amalgamation Agreement;

with limited exceptions, acquire or agree to acquire any equity interests in or a substantial portion of the assets of any other entity or any material assets, rights or properties, or sell, dispose or otherwise encumber any of its assets, rights or properties;

modify or terminate any material contract (as defined in the Validus Amalgamation Agreement), or cancel, modify or waive any debts or claims held by it under, or in connection with, any material contract;

enter into any contract that would have been a material contract had it been entered into before entering into the Validus Amalgamation Agreement;

fail to comply with its investment policy, or modify its investment policy in any material respect, except as may be required by (or, in its reasonable good-faith judgment, advisable under) generally accepted accounting principles or in statutory accounting principles prescribed by applicable law;

enter into, purchase, sell, amend or modify any derivative contract other than in the ordinary course of business consistent with past practice and its investment policy;

voluntarily forfeit, abandon, modify, waive or terminate any of its material permits;

take any action with the knowledge and intent that it would result in any of the conditions to the Validus Amalgamation Agreement not being satisfied;

take any action that would materially adversely affect the ability of the parties to obtain any of the regulatory approvals;

change its methods of accounting except as required by changes in applicable laws, generally accepted accounting principles or in applicable statutory accounting principles;

make, change or revoke any material tax election, file any amended tax return, settle any tax matters or change its method of tax accounting (except, with respect to any amended return or any change in the accounting method, as required by changes in law (or any taxing authority's interpretation thereof)), in each case, if such action would increase any of its tax liabilities by a material amount;

alter or amend in any material respect its investment policy or any existing underwriting, claim handling and related financial protection, or the methods, guidelines or policies or any material assumptions underlying such



practices, except as may be required by (or, in its reasonable good-faith judgment, advisable under) generally accepted accounting principles or in applicable statutory accounting principles or any governmental entity or applicable laws;

adopt any plan of complete or partial liquidation or dissolution, restructuring, recapitalization or reorganization;

incur, create or assume any indebtedness for borrowed money (or modify any of the material terms of any such outstanding indebtedness), other than (1) in replacement of existing or maturing debt, (2) in connection with amending existing indebtedness agreements in connection with the Validus

## **Table of Contents**

Amalgamation Agreement, (3) in the ordinary course of the insurance or reinsurance business and (4) draw-downs pursuant to existing credit facilities and letters of credit;

modify or waive any material rights in or dispose of any material intellectual property rights;

settle or compromise any legal proceedings for an amount in excess of \$1 million (excluding any amounts previously reserved for such matters in its latest audited balance sheet filed with the SEC and any insurance coverage applicable thereto) or involving any non-monetary relief;

with respect to IPC and its subsidiaries, enter into, adopt, amend or terminate any of its benefit plans, subject to limited exceptions;

with respect to IPC and its subsidiaries, except as required by its existing benefit plans, increase compensation or fringe benefits of any director, officer, employee, independent contractor or consultant, or pay any benefit not required by any benefit plan, subject to certain limited exceptions;

with respect to IPC and its subsidiaries, enter into or renew any contract providing for payment to any director, officer, employee, independent contractor or consultant of compensation or benefits contingent upon the occurrence of the amalgamation; or

agree to or make any commitment to take or authorize, any of the actions described above.

## **Existing Credit Facilities**

IPC and Validus must mutually agree to any changes in either party's existing credit facilities and will use commercially reasonable efforts to cooperate with each other in connection with the arrangement or modification of any such financing; *provided* that (1) neither party is required to cooperate if such cooperation would unreasonably interfere with the ongoing operations of itself or its subsidiaries prior to the effective time of the amalgamation, (2) no party or any of its subsidiaries will be required to incur any liability under such financing prior to the effective time of the amalgamation unless such liability is contingent upon the occurrence of the amalgamation and not material to IPC and its subsidiaries (after giving effect to the amalgamation), and (3) IPC and Validus will be solely responsible for their respective costs and expenses incurred in connection with such cooperation.

## **Access to Information; Confidentiality**

The Validus Amalgamation Agreement requires that each of Validus and IPC provide to the officers, employees and representatives of the other party access, during normal business hours prior to the effective time of the amalgamation, to all of its properties, books, contracts, records and officers and all other information concerning its business, properties and personnel as such other party may reasonably request, subject to certain restrictions. The parties will hold any such information in confidence to the extent required by, and in accordance with, the confidentiality provisions of the Validus Amalgamation Agreement.

## **Agreements to Use Commercially Reasonable Efforts**

Subject to the terms and conditions of the Validus Amalgamation Agreement, the Validus Amalgamation Agreement requires that each of Validus and IPC use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable under the Validus Amalgamation Agreement and applicable laws to consummate the amalgamation and the other transactions contemplated by the Validus Amalgamation Agreement as promptly as practicable after the date of the Validus Amalgamation Agreement,

including:

preparing and filing all documentation to effect all necessary applications, notices, filings and other documents and to obtain all required regulatory approvals and all other consents;

supplying any additional information and documentary material that may be requested pursuant to applicable laws or by applicable authorities and causing the expiration of applicable waiting periods, or

-85-

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## **Table of Contents**

cause the receipt of all consents from governmental entities or required under applicable law as soon as practicable;

cooperating in all respects with the other party in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by any private party;

keeping the other party apprised of the status of matters relating to completion of the transactions contemplated by the Validus Amalgamation Agreement and promptly informing the other party of (and upon reasonable request providing copies of) any communication in connection with any governmental entity and of any material communication in connection with any proceeding by any private party;

consulting with the other party in advance of, and to the extent possible allowing the other party to participate in, any meeting, conference, conference call, discussion or communication with, any such governmental entity or, in connection with any proceeding by any private party, with any other person; and

taking all reasonable actions to ensure that no takeover statute or similar regulation is or becomes applicable to the amalgamation, and if such regulation becomes applicable, ensuring that the amalgamation is consummated as soon as possible as to minimize the effect of such regulation.

Additionally, IPC will take such actions as are necessary to amend its bye-laws to reflect the IPC bye-law amendment as outlined in the Validus Amalgamation Agreement; *provided* that such bye-law amendment is approved by IPC's shareholders.

However, neither IPC nor Validus or their respective subsidiaries (1) may, without the prior written consent of the other party, consent to any action for the purpose of obtaining the regulatory approvals or (2) be required to consent to any restriction for the purpose of obtaining the regulatory approvals, in each case, which would be effective prior to the effective time of the amalgamation or which would not be immaterial to Validus and its subsidiaries taken together after the amalgamation.

### **Restrictions on Change in Recommendation by the Boards of Directors of IPC or Validus**

The boards of directors of IPC or Validus may not withdraw or modify, in any manner adverse to the other party, its recommendations in connection with the amalgamation except if such board has concluded in good faith, after consultation with its outside counsel and financial advisors, that such action is reasonably likely to be required in order for the directors to comply with their fiduciary duties under applicable law, and such party has not materially breached its obligations with respect to changing its recommendation. Before a party can change its recommendation with respect to the amalgamation, it must provide advance written notice of such change to the other party and give the other party five days to agree to alter the terms and conditions of the Validus Amalgamation Agreement in a manner that removes the need for the applicable board of directors to change its recommendation in order to prevent a breach of its fiduciary duties.

Even if IPC or Validus has had a change in recommendation, each will still be required to submit such matters to the respective shareholders' meeting.

### **Restrictions on Solicitation of Acquisition Proposals by IPC**

The Validus Amalgamation Agreement precludes IPC and each of its subsidiaries and advisors from, directly or indirectly, initiating, soliciting, encouraging or facilitating (including by providing information) any effort or attempt to make or implement any proposal or offer with respect to an amalgamation, reorganization, consolidation, business

combination or similar transaction involving it or any of its subsidiaries or any purchase or sale involving 10% or more of its consolidated assets (including, without limitation, shares of its subsidiaries), or 10% or more of its total voting power or the voting power of any of its subsidiaries (an Acquisition Proposal ). Additionally, except as described below, IPC and each of its subsidiaries may not, and each shall use its respective commercially reasonable efforts to prevent its advisors from, directly or indirectly: (1) having, participating or otherwise engaging in any discussions or negotiations with, or providing

**Table of Contents**

any confidential information or data to, any person relating to an Acquisition Proposal; (2) approving or recommending, or proposing to approve or recommend, any Acquisition Proposal or submitting an Acquisition Proposal to a vote of its shareholders; or (3) approving, recommending or proposing to approve or recommend, or executing or entering into, any letter of intent, agreement in principle, merger agreement, or other similar agreement related to, any Acquisition Proposal.

IPC must provide the other party with written notice within 24 hours of the receipt of any Acquisition Proposal or request that could reasonably be related to an Acquisition Proposal from a third party indicating the identity of the third party making such Acquisition Proposal and the material terms and conditions of any such Acquisition Proposal and any related documentation and correspondence. In addition, IPC must keep Validus reasonably informed of the status and terms of any such Acquisition Proposal or request (including any material changes to the terms of the Acquisition Proposal).

If, prior to the required shareholder vote of IPC, the board of directors of IPC concludes that an unsolicited bona fide written Acquisition Proposal in respect of IPC is a superior proposal (as defined below), after giving effect to all adjustments to the Validus Amalgamation Agreement that may be offered by Validus, it may make a change to its recommendation; *provided* that it must first (1) give the other party written notice indicating that it has received an Acquisition Proposal that could reasonably be likely to constitute a superior proposal and specifying the identity of the person making such Acquisition Proposal as well as the material terms of such Acquisition Proposal and (2) allow Validus five business days to agree to alter the terms and conditions of the Validus Amalgamation Agreement in a manner that removes the need for the applicable board of directors to change its recommendation in order to prevent a breach of its fiduciary duties. The term *superior proposal* means a bona fide unsolicited written Acquisition Proposal, which did not result from a breach by IPC of its obligations under the Validus Amalgamation Agreement regarding Acquisition Proposals (as summarized above), that would result in any person beneficially owning securities representing 50% or more of the voting power of IPC, the voting power of any of its subsidiaries or all or substantially all of IPC's assets which the board of directors of IPC concludes in good faith (after consultation with its outside legal and financial advisors) is in the long-term best interests of IPC, including its shareholders, employees, communities and other stakeholders and (1) is more favorable to its shareholders and other constituencies, (2) is fully financed or reasonably capable of being fully financed, reasonably likely to receive all required governmental approvals and otherwise reasonably capable of being completed on the terms proposed, and (3) is reasonably likely to require the board of directors of IPC to change its recommendation with respect to the amalgamation, in order to comply with its fiduciary duties under applicable law.

As summarized below in *Termination of Amalgamation Agreement - Effects of Termination; Remedies*, under certain circumstances (among others) as described in the Validus Amalgamation Agreement, if within 12 months of the termination of the Validus Amalgamation Agreement, either IPC or Validus enters into or consummates an acquisition transaction (as defined below) with a person (or such person's affiliate) that made an Acquisition Proposal to IPC or Validus, as the case may be, after the date of the Validus Amalgamation Agreement and prior to the relevant party's shareholder meeting, then the party entering such acquisition transaction with such person will be liable to the other party for a termination fee of \$16 million upon the earlier of the date of execution or consummation of such agreement for the acquisition transaction. The term *acquisition transaction* means, with respect to any person, any amalgamation, merger, combination or similar transaction involving it or any of its subsidiaries or any purchase or sale of 35% or more of the consolidated assets (including, without limitation, stock of its subsidiaries) of it and its subsidiaries, taken as a whole, or any purchase or sale of, or tender or Exchange Offer for, its voting securities that, if consummated, would result in any person (or the shareholders of such person) beneficially owning securities representing 35% or more of its total voting power or the voting power of any of its subsidiaries.

**Expenses**

Whether or not the amalgamation is consummated, with the exception of the expenses described in the next sentence, all costs and expenses incurred in connection with the Validus Amalgamation Agreement and the transactions contemplated by the Validus Amalgamation Agreement will be paid by the party incurring such expense, except as otherwise described in the Validus Amalgamation Agreement, and except that IPC and

## **Table of Contents**

Validus will share equally any expenses incurred in connection with the filing, printing and mailing of a joint proxy statement/prospectus. IPC and Validus will share equally the fees payable to the lenders in connection with the contingent amendments to and consents under their respective credit facilities.

### **Directors and Officers Insurance and Indemnification**

Validus will purchase a tail policy covering Validus and IPC's current officers and directors with regard to any actions occurring prior to the effective time of the amalgamation for six years from the effective time of the amalgamation. Subject to certain limitations set forth in the Validus Amalgamation Agreement, such tail policy will cover IPC's directors and officers to the same extent such persons are indemnified or have the right to advancement of expenses as of the date of the Validus Amalgamation Agreement.

### **Employee Benefits**

As of the effective time of the amalgamation, Validus will (or will cause its subsidiaries to) continue to employ each person employed by IPC or Validus and any of their respective subsidiaries as of the effective time of the amalgamation. Except as outlined below, nothing contained in the Validus Amalgamation Agreement will restrict Validus in the future in the exercise of its independent, good faith business judgment as to the terms and conditions under which such employment will continue, the duration of such employment, the basis on which such employment is terminated or the benefits provided to any employees.

For a period of not less than one year following the closing date of the amalgamation, Validus will (or will cause its subsidiaries to) make available employee benefits and compensation opportunities substantially comparable in the aggregate to the employee benefits and compensation opportunities in effect for such individuals that have been employed by Validus from IPC or the applicable IPC subsidiary immediately prior to the closing of the amalgamation.

Validus and its subsidiaries will ensure that any compensation and benefit plan in which employees are eligible to participate after the closing of the amalgamation will give credit (except for purposes of qualifying for subsidized early retirement benefits or to the extent it would result in a duplication of benefits) to service by the employees with IPC and any of its subsidiaries, before the closing of the amalgamation, to the same extent such service was credited prior to the closing of the amalgamation under a comparable compensation and benefit plan of IPC.

From and after the closing of the amalgamation, Validus will honor all IPC benefit plans, in each case in accordance with their terms as in effect immediately before the closing of the amalgamation; *provided* that nothing in the Validus Amalgamation Agreement will limit the right of Validus to amend or terminate any such plan in accordance with its terms.

### **NYSE Listing and NASDAQ Delisting; Reservation for Issuance**

Validus will use its commercially reasonable efforts to cause all the following shares to be approved for listing and quotation on the NYSE, subject to official notice of issuance, no later than the closing date of the amalgamation (1) all Validus Shares to be issued in the amalgamation to IPC shareholders and (2) all Validus Shares to be reserved for issuance upon exercise or vesting of the IPC share options or other awards (the Listed Validus Shares). Validus will take all action necessary to reserve for issuance, prior to the amalgamation, any Listed Validus Shares that, by their terms and in accordance with Validus Amalgamation Agreement, will not be issued until after the effective time of the amalgamation. Validus will also use its commercially reasonable efforts to cause the IPC Shares to no longer be listed or quoted on NASDAQ and to be deregistered under the Exchange Act as soon as practicable following the effective time of the amalgamation.



**Dividends**

IPC and Validus will coordinate the declaration, setting of record dates and payment dates of dividends on IPC Shares and Validus Shares so that holders of IPC Shares do not either receive or fail to receive,

## **Table of Contents**

dividends on both IPC Shares and the Validus Shares received in the amalgamation in respect of any calendar quarter. This is to ensure that the holders of the Validus Shares and IPC Shares each receive the same number of quarterly dividends after execution of the Validus Amalgamation Agreement and prior to the effective time of the amalgamation with respect to such shares.

## **Book Value Calculations**

On the first business day after the date of its shareholder meeting, either IPC or Validus may request in writing that the other party prepare an estimate of its book value as of one business day prior to such shareholder meeting (the measurement date). Within five calendar days of such written request, each of IPC and Validus must provide the other with an estimate of its book value (calculated in the manner specified in the Validus Amalgamation Agreement) as of the measurement date (together with any reasonable supporting analysis). Each of IPC and Validus will then have five calendar days to review the other party's book value estimate and supporting analysis, together with such other information it may reasonably request. Once either IPC or Validus has requested that the other provide an estimate of its book value as of the measurement date, the closing will be delayed until the covenants and agreements contained in the Validus Amalgamation Agreement related to the book value calculations have been satisfied or waived.

The party that requested the book value estimates has the right to terminate the agreement if the estimates indicate that, since December 31, 2008, the other party's book value has declined more than 50% or more than 20 percentage points greater than the decline in the requesting party's book value (if any) over the same period (with any increase in a party's book value since December 31, 2008, to the measurement date deemed to be no change for purposes of measuring the 20 percentage point differential).

## **Conditions to the Amalgamation**

Validus and IPC's respective obligations to complete the amalgamation are subject to the fulfillment or waiver (by both Validus and IPC) of certain conditions, including:

IPC shall have obtained the required affirmative vote of its shareholders to (1) approve the bye-law amendment described in the Validus Amalgamation Agreement and (2) adopt the Validus Amalgamation Agreement and approve the amalgamation (collectively, the required IPC vote);

Validus shall have obtained the required affirmative vote of its shareholders to approve the issuance of Validus Shares to IPC shareholders as contemplated by the Validus Amalgamation Agreement;

the Validus Shares to be issued or reserved for issuance in connection with the amalgamation shall have been authorized for listing on the NYSE, subject to official notice of issuance;

certain regulatory filings, approvals or exemptions shall have been made, have occurred or been obtained; and

no injunction or other legal restraints or prohibitions preventing the consummation of the amalgamation shall be in effect.

Each of IPC's and Validus's obligations to complete the amalgamation is also separately subject to the satisfaction or waiver of a number of conditions including:

the truth and correctness of the representations and warranties of each other party in the Validus Amalgamation Agreement, subject to the materiality standards provided in the Validus Amalgamation Agreement, and the performance, subject to the materiality standards provided in the Validus Amalgamation Agreement, by each

party of its obligations under the Validus Amalgamation Agreement (and the receipt by each party of a certificate from the other party to such effect);

no governmental entity shall have imposed by law, or any other action, any term, condition, obligation or restriction upon IPC, the amalgamated company or their respective subsidiaries that would, individually or in the aggregate, reasonably be expected to have a material adverse effect on Validus

## **Table of Contents**

and its subsidiaries (including the amalgamated company) after the effective time of the amalgamation; and receipt by each IPC and Validus of a tax opinion with respect to certain U.S. federal income tax consequences of the amalgamation.

Validus' obligation to complete the amalgamation is also subject to the fulfillment or waiver (by Validus) of the following condition:

all amendments or waivers under (x) IPC's credit facilities and (y) Validus' credit facilities, in each case, as determined by Validus to be necessary to consummate the amalgamation and the other transactions contemplated thereby, shall be in full force and effect.

## **Termination of the Amalgamation Agreement**

### ***Termination***

The Validus Amalgamation Agreement may be terminated, at any time prior to the effective time of the amalgamation, by mutual written consent of IPC and Validus, and, subject to certain limitations described in the Validus Amalgamation Agreement, by either IPC or Validus, if any of the following occurs:

a regulatory approval required by the Validus Amalgamation Agreement to be obtained has been denied or any governmental authority has taken any action permanently restraining or prohibiting the amalgamation and such denial or action has become final and non-appealable (unless the failure to complete the amalgamation by that date is due to a breach by the party seeking to terminate the Validus Amalgamation Agreement);

the amalgamation has not been consummated on or before the later of (x) November 30, 2009 or (y) the date that is five months after the date of execution of the Validus Amalgamation Agreement by all parties thereto (unless the failure to complete the amalgamation by that date is due to a breach by the party seeking to terminate the Validus Amalgamation Agreement);

the other party's board of directors has (1) changed its recommendation to its shareholders, (2) failed to include such recommendation in this proxy statement or (3) with respect to IPC only, materially breached certain of the non-solicitation obligations applicable to it under the Validus Amalgamation Agreement, as summarized in *Restrictions on Change in Recommendation by the Boards of Directors of IPC or Validus* and *Restrictions on Solicitation of Acquisition Proposals by IPC* above;

the other party has breached a covenant, agreement, representation or warranty that would preclude the satisfaction of certain closing conditions and such breach is not remedied in the 45 days following written notice to the breaching party or is not capable of being so remedied;

the IPC shareholders have not approved any of the matters for which their approval is solicited for the required IPC vote or the Validus shareholders have not approved the issuance of Validus Shares to IPC shareholders as contemplated by the Validus Amalgamation Agreement;

by either IPC or Validus after its respective shareholder meeting to vote on the amalgamation if the other party's good-faith estimate of such party's book value as of the day prior to the requesting party's shareholder meeting indicates that since December 31, 2008, either (1) the other party's book value has declined by more than 50%, or (2) the other party's book value has declined by more than 20 percentage points greater than the decline in the terminating party's book value during the same period (with any increase in a party's book value

since December 31, 2008, deemed to be no change for purposes of measuring the 20 percentage point differential), as summarized in *Book Value Calculations* above; or

by Validus if the total number of dissenting IPC Shares for which appraisal rights have been properly exercised in accordance with Bermuda law exceeds 15% of the issued and outstanding IPC Shares on the business day immediately following the last day on which IPC shareholders can require appraisal of their common shares.

**Table of Contents**

***Effects of Termination; Remedies***

If the Validus Amalgamation Agreement is terminated as described in *Termination* above, the Validus Amalgamation Agreement will become void, and there will be no liability or obligation of any party or its officers and directors under the Validus Amalgamation Agreement, except as to certain limited provisions relating to confidentiality, the payments of termination fees in connection with a termination (as applicable), and other transaction expenses, which will survive the termination of the Validus Amalgamation Agreement, and except that no party shall be relieved or released from any liabilities or damages arising out of its willful breach of the Validus Amalgamation Agreement.

If either of the parties terminates the Validus Amalgamation Agreement, the non-terminating party will be required to pay the other a termination fee of \$16 million under the following circumstances:

if the non-terminating party's board of directors has changed or failed to include in the proxy statement its recommendation to shareholders to vote in favor of the amalgamation, or has approved or recommended an Acquisition Proposal or submitted an Acquisition Proposal to its shareholders for approval prior to the termination of the Validus Amalgamation Agreement;

if the Validus Amalgamation Agreement is terminated for failure to complete the amalgamation on or before the later of (x) November 30, 2009 or (y) the date that is five months after the date of execution of the Validus Amalgamation Agreement by all parties thereto and, within 12 months of the termination date, the non-terminating party enters into or consummates an acquisition transaction with the person (or affiliate) that made an Acquisition Proposal that was publicly announced or otherwise communicated to the officers or directors of the non-terminating party prior to the later of (x) November 30, 2009 or (y) the date that is five months after the date of execution of the Validus Amalgamation Agreement by all parties thereto; and

if the Validus Amalgamation Agreement is terminated on the basis of certain specified breaches (as provided therein) and, within 12 months of the termination date, the non-terminating party enters into or consummates an acquisition transaction with the person (or affiliate) that made an Acquisition Proposal that was publicly announced or otherwise communicated to the officers or directors of the non-terminating party prior to the non-terminating party's shareholder meeting.

In addition to the foregoing:

Validus will pay the termination fee to IPC if either party has terminated the agreement for failure to obtain the required vote of Validus shareholders (and if IPC is the terminating party, its required shareholder vote has either been obtained or not yet taken) and within 12 months of the termination date, Validus or any of its subsidiaries enters into or consummates an acquisition transaction with the person (or affiliate) that made an Acquisition Proposal that was publicly announced or otherwise communicated to Validus' officers or directors prior to the date of Validus' shareholder meeting; and

IPC will pay the termination fee to Validus if either party has terminated the agreement for failure to obtain the required vote of IPC shareholders (and if Validus is the terminating party, its required shareholder vote has either been obtained or not yet taken) and if within 12 months of the termination date, IPC or any of its subsidiaries enters into or consummates an acquisition transaction with the person (or affiliate) that made an Acquisition Proposal that was publicly announced or otherwise communicated to IPC's officers or directors prior to the date of IPC's shareholder meeting.

**Amendments and Waivers Under the Validus Amalgamation Agreement**

***Amendments***

The Validus Amalgamation Agreement may be amended in writing by the parties by action taken or authorized by their respective boards of directors, at any time before or after the approval of matters presented in connection with the amalgamation by the IPC shareholders and Validus shareholders. Following such approval, however, no amendment may be made that by law would require further approval of IPC shareholders or Validus shareholders, without obtaining such further approval.

**Table of Contents**

***Waiver***

To the extent legally permissible, the parties may at any time before the effective time of the amalgamation do any of the following:

extend the time of performance of any of the obligations or other acts of the other party;

waive any inaccuracies in the representations and warranties contained in the Validus Amalgamation Agreement or in any document delivered pursuant to the Validus Amalgamation Agreement; or

waive compliance with any of the agreements or conditions contained in the Validus Amalgamation Agreement.

Any extension or waiver will be valid only if set forth in writing and signed by the party granting the waiver.

**REGULATORY MATTERS**

Validus is not aware of any governmental license or regulatory permit that appears to be material to IPC's business that might be adversely affected by the Acquisition pursuant to the Acquisition or, except as described below, of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for the Acquisition or ownership of IPC Shares pursuant to the Acquisition. Should any of these approvals or other actions be required, Validus currently contemplates that these approvals or other actions will be sought. There can be no assurance that any such approvals or other actions, if required, will be obtained (with or without substantial conditions) or that if these approvals were not obtained or these other actions were not taken adverse consequences might not result to IPC's business or certain parts of IPC's or Validus', or any of their respective subsidiaries', businesses might not have to be disposed of or held separate.

***Insurance Regulations***

Applications or notifications in connection with the Acquisition and the changes in control of various subsidiaries of IPC that may be deemed to occur as a result of the Acquisition may be required to be filed with various non-U.S. regulatory authorities.

In addition, under the Bermuda Insurance Act of 1978, (i) Validus is required to file a notification regarding the acquisition of IPC Shares with the BMA within 45 days after the date that Validus becomes a 10 percent, 20 percent, 33 percent or 50 percent shareholder of IPC and (ii) any person who, directly or indirectly, becomes a holder of at least 10 percent, 20 percent, 33 percent or 50 percent of the Validus common shares must notify the BMA in writing within 45 days of such acquisition.

Although Validus does not expect these regulatory authorities to raise any significant concerns in connection with their review of the Acquisition, there is no assurance that Validus will obtain all required regulatory approvals or that these approvals will not include terms, conditions or restrictions that are adverse to Validus or to IPC.

The consummation of the Acquisition will not require the approval of any U.S. insurance regulators because neither Validus nor IPC operates a U.S.-regulated insurance business that would require any such approval.

Other than the approvals and notifications described above, Validus is not aware of any material regulatory approvals required to be obtained, or waiting periods required to expire after the making of a filing. If Validus discovers that other approvals or filings and/or waiting periods are necessary, it will seek to obtain or comply with them, although



there can be no assurance that they will be obtained, as is the case with the regulatory approvals described above.

**Table of Contents**

**INFORMATION ABOUT VALIDUS AND IPC**

**Validus**

Validus is a Bermuda exempted company, with its principal executive offices located at 19 Par-La-Ville Road, Hamilton HM11, Bermuda. The telephone number of Validus is (441) 278-9000. Validus is a provider of reinsurance and insurance, conducting its operations worldwide through two wholly-owned subsidiaries, Validus Re and Talbot. Validus Re is a Bermuda based reinsurer focused on short-tail lines of reinsurance. Talbot is the Bermuda parent of the specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183. Validus common shares are traded on the NYSE under the symbol VR and, as of May 7, 2009, the last practicable date prior to the filing of this proxy statement, Validus had a market capitalization of approximately \$1.76 billion. Validus has approximately 280 employees.

As of the date this proxy statement was first mailed to Validus shareholders, Validus was the registered holder of 100 IPC Shares, or less than 1% of the outstanding IPC Shares, and Validus was entitled to vote as to all of the IPC Shares it owns.

Validus files periodic reports, proxy statements and other information with the SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website address is <http://www.sec.gov>. Validus' common shares are traded on the NYSE with the symbol VR. Similar information concerning Validus can be reviewed at the office of the NYSE at 20 Broad Street, New York, New York, 10005. Validus' website address is <http://www.validusre.bm>. Information contained in this website is not part of this report.

Validus' annual report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge, including through its website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Copies of the charters for the audit committee, the compensation committee, the corporate governance and nominating committee, the finance committee and the underwriting committee, as well as Validus' Corporate Governance Guidelines, Code of Business Conduct and Ethics for Directors, Officers and Employees (the Code), which applies to all of Validus' directors, officers and employees, and Code of Ethics for Senior Officers, which applies to Validus' principal executive officer, principal accounting officer and other persons holding a comparable position, are available free of charge on Validus' website at [www.validusre.bm](http://www.validusre.bm) or by writing to Investor Relations, Validus Holdings, Ltd., 19 Par-La-Ville Road, Hamilton HM11, Bermuda. Validus will also post on its website any amendment to the Code and any waiver of the Code granted to any of its directors or executive officers to the extent required by applicable rules.

**IPC**

The following description of IPC is taken from the IPC/Max S-4.

See *Sources of Additional Information* above. IPC provides property catastrophe reinsurance and, to a limited extent, property-per-risk excess, aviation (including satellite) and other short-tail reinsurance on a worldwide basis. During 2008, approximately 93% of its gross premiums written, excluding reinstatement premiums, covered property

catastrophe reinsurance risks. Property catastrophe reinsurance covers against

## **Table of Contents**

unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, riots, floods and other man-made or natural disasters. The substantial majority of the reinsurance written by IPCRe has been, and continues to be, written on an excess of loss basis for primary insurers rather than reinsurers, and is subject to aggregate limits on exposure to losses. During 2008, IPC had approximately 258 clients from whom it received either annual/deposit or adjustment premiums, including many of the leading insurance companies around the world. In 2008, approximately 36% of those clients were based in the United States, and approximately 53% of gross premiums written, excluding reinstatement premiums, related primarily to U.S. risks. IPC's non-U.S. clients and its non-U.S. covered risks are located principally in Europe, Japan, Australia and New Zealand. During 2008, no single ceding insurer accounted for more than 3.7% of its gross premiums written, excluding reinstatement premiums. At December 31, 2008, IPC had total shareholders' equity of \$1,851 million and total assets of \$2,389 million.

In response to a severe imbalance between the global supply of and demand for property catastrophe reinsurance that developed during the period from 1989 through 1993, IPC and IPCRe were formed as Bermuda companies and commenced operations in June 1993 through the sponsorship of American International Group, Inc. (AIG). On August 15, 2006, AIG sold its entire shareholding in an underwritten public offering. As from August 15, 2006, to IPC's knowledge, AIG no longer has any direct ownership interest in IPC.

IPC's common shares are quoted on NASDAQ under the ticker symbol *IPCR* and the Bermuda Stock Exchange under the symbol *IPCR.BH*. IPCRe Europe Limited, a subsidiary of IPCRe incorporated in Ireland, underwrites select reinsurance business. Currently, IPCRe Europe Limited retrocedes 90% of the business it underwrites to IPCRe.

*Internet Address:* IPC's Internet address is [www.ipcre.bm](http://www.ipcre.bm) and the investor relations section of its website is located at [www.ipcre.bm/financials/quarterly-index.html](http://www.ipcre.bm/financials/quarterly-index.html). IPC makes available free of charge, through the investor relations section of its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934 as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

## **THE VALIDUS SPECIAL MEETING**

This proxy statement is being provided to the Validus shareholders in connection with the solicitation of proxies by Validus' board of directors to be voted at the Validus special meeting and any adjournment thereof.

### ***Date, Time and Place***

The Validus special meeting will be held at \_\_\_\_\_, Atlantic Time, on June \_\_\_\_\_, 2009, at 19 Par-La-Ville Road, Hamilton HM11, Bermuda.

### ***Purposes of the Validus Special Meeting***

At the Validus special meeting, Validus shareholders will be asked to consider and vote on the following proposals:

to approve the issuance of Validus Shares in connection with the Acquisition of all of the outstanding IPC Shares, pursuant to the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise; and

to transact such other further business, if any, as may lawfully be brought before the meeting, including to approve the adjournment of the meeting for the solicitation of additional proxies in favor of the above proposal.

**The board of directors of Validus has unanimously adopted the Validus Amalgamation Agreement, and authorized and approved the Share Issuance and deems it fair, advisable and in the best interests of Validus and its shareholders to consummate the Share Issuance, the Acquisition and the other**

## **Table of Contents**

**transactions contemplated thereby. Validus board of directors unanimously recommends that Validus shareholders vote FOR each of the items above.**

**If you sign and return a proxy card or voting instruction form without giving specific voting instructions, your shares will be voted FOR the Share Issuance Proposal and FOR the Adjournment Proposal and as the persons named as proxies may determine in their discretion with respect to any other matters properly presented for a vote before the Validus special meeting.**

The Share Issuance will become effective only if such proposal is approved by Validus shareholders and the IPC Shares are exchanged for Validus Shares, pursuant to the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or otherwise but based on an exchange ratio no less favorable to Validus shareholders than the exchange ratio set forth in the Validus Amalgamation Offer, and all the other conditions of the Validus Amalgamation Agreement, the Scheme of Arrangement, the Exchange Offer or similar agreement are satisfied or waived.

### ***Record Date and Shares Entitled to Vote***

Shareholders of record, as shown on the transfer books of Validus at the close of business on \_\_\_\_\_, 2009 will be entitled notice of, and to vote at, the Validus special meeting or any adjournments thereof. As of March 13, 2009, there were 58,849,289 outstanding Validus Shares entitled to vote at the Validus special meeting, and 19,771,422 non-voting common shares. Each Validus Share entitles the holder of record thereof to one vote at the Validus special meeting; however, if, and for so long as, the Validus Shares of a shareholder, including any votes conferred by controlled shares, would otherwise represent more than 9.09% of the aggregate voting power of all Validus Shares entitled to vote on a matter, the votes conferred by such Validus Shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by Validus bye-laws), the votes conferred by such Validus Shares represent 9.09% of the aggregate voting power of all Validus Shares entitled to vote on such matter.

### ***How to Vote Your Validus Shares***

The manner in which your shares may be voted depends on how your Validus Shares are held.

If you are a shareholder of record, meaning that your Validus Shares are represented by certificates or book entries in your name so that you appear as a shareholder in the transfer books maintained by the share transfer agent, Bank of New York Mellon, a proxy card for voting those Validus Shares included with this proxy statement may be used. You may direct how your Validus Shares are to be voted by

completing, signing, dating and returning the proxy card in the enclosed envelope; or

voting in person at the Validus special meeting by bringing the enclosed proxy card or using the ballot provided at the meeting. You should be prepared to present photo identification for admission upon request or you will not be admitted to the Validus special meeting; or

alternatively, you may use the toll-free telephone number indicated on the proxy card to vote by telephone or visit the website indicated in the proxy card to vote on the Internet.

If you own Validus Shares through a bank, broker or other nominee (in street name), you should, instead of a proxy card, receive from your bank, broker or other nominee a voting instructions form. You can use such voting instructions form to instruct how your Validus Shares are to be voted. As with a proxy card, you may

direct how your Validus Shares are to be voted by completing, signing and returning the voting instructions form in accordance with the instructions from your bank, broker or other nominee. In addition, many banks and brokerage firms have arranged for Internet or telephonic instructions regarding how shares are to be voted and provide instructions for using those services on the voting instruction form. Please consult with your broker, bank or nominee if you have any questions regarding the electronic voting of Validus Shares held in street name. Validus has requested that brokerage and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of IPC Shares and will reimburse those persons for their reasonable out-of-

## **Table of Contents**

pocket expenses for forwarding the materials. Only shareholders of record may vote their shares in person at the Validus special meeting. Therefore, if you own your shares in street name, you will be entitled to attend the Validus special meeting and vote your Validus Shares only if you have previously either arranged for the Validus Shares to be transferred of record into your name by the record date for the Validus special meeting or secured a valid proxy from the bank, broker or other nominee that holds your shares for the Validus special meeting (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date).

Validus has requested that brokerage and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of Validus Shares and it will reimburse the brokers and other fiduciaries for their reasonable out-of-pocket expenses for forwarding the materials.

### ***Quorum; Required Vote; Abstentions and Broker Non-Votes***

The quorum required at the Validus special meeting is two or more shareholders present in person and representing in person or by proxy in excess of 50% of the total issued Validus Shares throughout the meeting. An affirmative vote of a majority of the votes cast at the Validus special meeting, at which a quorum is present in accordance with Validus bye-laws, is required to approve the Share Issuance Proposal and the Adjournment Proposal. In accordance with NYSE rules, banks, brokers and other nominees who hold Validus Shares in street-name for customers may not exercise their voting discretion with respect to the Share Issuance. Accordingly, if you do not provide your bank, broker or other nominee with instructions on how to vote your street name shares, your bank, broker or other nominee will not be permitted to vote them at the Validus special meeting. Abstentions and broker non-votes will be counted toward the presence of a quorum at, but will not be considered votes cast on any proposal brought before, the Validus special meeting. Because the vote required to approve the proposals is the affirmative vote of a majority of the votes cast, assuming a quorum is present, a broker non-vote with respect to any proposal to be voted on at the Validus special meeting will not have the effect of a vote for or against the relevant proposal, but will reduce the number of votes cast and therefore increase the relative influence of those shareholders voting.

### ***How to Revoke a Proxy***

You may change your vote or revoke your proxy at any time before your proxy is voted at the Validus special meeting. If you are a shareholder of record, you may change your vote or revoke your proxy by: (1) delivering to Validus (Attention: General Counsel) at 19 Par-La-Ville Road, Hamilton, HM11, Bermuda, a written notice of revocation of your proxy; (2) delivering to Validus an authorized proxy bearing a later date (including a proxy by telephone or over the Internet); or (3) attending the Validus special meeting and voting in person as described above under *How to Vote Your Validus Shares*. Attendance at the Validus special meeting in and of itself, without voting in person at the Validus special meeting, will not cause your previously granted proxy to be revoked. For shares you hold in street name, you should follow the instructions of your bank, broker or other nominee or, if you have obtained a legal proxy from the bank, broker or other nominee that holds your shares (and who has received a legal proxy, with a power of subdelegation, from the shareholder of record as of the record date) giving you the right to vote your shares at the Validus special meeting, by attending the Validus special meeting and voting in person.

### ***Other Matters***

Validus knows of no specific matter to be brought before the Validus special meeting that is not referred to in the notice of the Validus special meeting. If any such matter comes before the Validus special meeting, including any shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

### ***Validus Auditors***



Representatives of PricewaterhouseCoopers are not expected to be present at the Validus special meeting and accordingly will not make any statement or be available to respond to any questions.

-96-

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**Table of Contents**

If you have any questions or require any assistance in voting your Validus Shares, please contact:

199 Water Street  
26th Floor  
New York, New York 10038  
Banks and Brokers should call: (212) 440-9800  
or  
Toll Free: at (888) 274-5146  
Email: validus@georgeson.com

**PROPOSALS TO BE SUBMITTED TO VALIDUS SHAREHOLDERS VOTE; VOTING REQUIREMENTS AND RECOMMENDATIONS**

**Proposal 1: Share Issuance**

Validus board of directors unanimously adopted, subject to Validus shareholder approval at the Validus special meeting, a resolution to approve the issuance of Validus Shares in connection with the Acquisition of all outstanding IPC Shares, pursuant to the Validus Amalgamation Agreement or otherwise.

Under the terms of the Acquisition, IPC shareholders (including IPC shareholders that do not vote in favor of the amalgamation, but excluding holders of any shares as to which appraisal rights have been exercised pursuant to Bermuda law and excluding any shares beneficially owned by Validus and its subsidiaries) will receive a fraction of a Validus Share equal to the exchange ratio of 1.2037 and cash in lieu of fractional shares as consideration for the exchange of their IPC Shares in connection with the Acquisition.

The Listed Company Manual for companies listed on the NYSE, on which Validus common shares are listed, requires the approval of Validus shareholders in connection with the issuance of common shares or securities convertible into or exercisable for common shares if (a) the common shares or other securities being issued will have voting power equal to or in excess of 20% of the voting power outstanding before such issuance or (b) the number of common shares to be issued in or will be equal to or in excess of 20% of the number of common shares or other securities outstanding before such issuance. The minimum vote that will constitute shareholder approval under the NYSE rules is a majority of the total votes cast on the proposal.

Assuming closing of the Acquisition, pursuant to the Validus Amalgamation Agreement, the Exchange Offer, the Scheme of Arrangement or otherwise, based on Validus and IPC's capitalization as of December 31, 2008, and an exchange ratio of 1.2037, Validus would issue approximately 67,338,947 Validus Shares to shareholders of IPC in connection with the Acquisition in exchange for IPC Shares. Upon closing of the Acquisition, current Validus shareholders will own approximately 57% of the common shares of Validus on a fully-diluted basis and IPC shareholders will own approximately 43% of the common shares of Validus on a fully-diluted basis.

**Table of Contents**

The affirmative vote of a majority of the votes cast at the Validus special meeting, at which a quorum is present in accordance with Validus by-laws, is required to approve this proposal regarding the Share Issuance. **The Acquisition will not close unless the Validus shareholders approve the Share Issuance Proposal.**

**Validus board of directors unanimously recommends a vote FOR this proposal.**

**Proposal 2: Adjournment Proposal**

Validus shareholders are being asked to consider and vote on a proposal to adjourn or postpone the Validus special meeting, in the discretion of the persons named as proxies, to solicit additional proxies.

The affirmative vote of a majority of the votes cast at the Validus special meeting, at which a quorum is present in accordance with Validus by-laws, is required to approve this proposal regarding the Adjournment Proposal.

**Validus board of directors unanimously recommends a vote FOR this proposal.**

**Table of Contents****BENEFICIAL OWNERSHIP OF VALIDUS COMMON SHARES**

The following table sets forth information as of April 30, 2009 regarding the beneficial ownership of Validus common shares by:

each person known by Validus to beneficially own more than 5% of our outstanding common shares,

each of Validus directors,

each of our named executive officers, and

all of our directors and executive officers as a group.

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

| <b>Beneficial Owner(1)(16)(17)</b>  | <b>Common Shares</b> | <b>Shares Subject to Exercise of Warrants</b> | <b>Unvested Restricted Shares and Shares Subject to Exercise of Options</b> | <b>Total Beneficial Ownership (%) (2)</b> | <b>Fully Diluted Total Beneficial Ownership (%) (2)</b> |
|---|----------------------|---|---|---|---|
| Investment funds affiliated with The Goldman Sachs Group, Inc.(3),(4)                               | 14,057,137           | 1,604,410                                     |   | 20.23%                                    | 17.38%  |
| Aquiline Capital Partners LLC and the funds it manages(5)   | 6,886,342            | 3,193,865                                     |   | 12.76%                                    | 11.19%  |
| Funds affiliated with or managed by Vestar Capital Partners(6)                                      | 8,571,427            | 972,810                                       |   | 12.43%                                    | 10.59%  |
| Funds affiliated with or managed by New Mountain Capital, LLC(7)                                    | 6,986,241            | 784,056                                       |   | 10.14%                                    | 8.62%   |
| Entities affiliated with Bank of America Corp. or managed by Bank of America Corp affiliates(3),(8) | 6,134,530            | 1,067,187                                     |   | 9.37%                                     | 7.99%   |
| Edward J. Noonan(9)   | 421,564              | 29,039  | 920,779   | 0.59%                                     | 1.52%   |
| George P. Reeth(9)  | 133,084              | 7,260   | 523,767   | 0.19%                                     | 0.74%   |
| C. N. Rupert Atkin(9)   | 90,962               |   | 319,680   | 0.12%                                     | 0.46%   |
| Michael E. A. Carpenter(9)  | 291,715              |   | 22,910  | 0.38%                                     | 0.35%   |
| Jeff Consolino(9)   | 59,405               |   | 384,964   | 0.08%                                     | 0.49%   |
| Matthew J. Grayson(10),(11)   |                      | 3,993   |   | 0.01%                                     | 0.00%   |
| Jeffrey W. Greenberg(10),(12)   | 6,886,342            | 3,203,883                                     |   | 12.77%                                    | 11.20%  |
| John J. Hendrickson(10)   | 57,142               | 72,598  | 4,430   | 0.17%                                     | 0.15%   |
| Sumit Rajpal(3),(4),(10)  |                      |   |   | 20.23%                                    | 17.38%  |

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|  |           |         |           |        |        |
|--|-----------|---------|-----------|--------|--------|
| Sander M. Levy(10),(13)  |           |         |           | 12.43% | 10.59% |
| Jean-Marie Nessi(10)   |           |         |           |        |        |
| Mandakini Puri(10),(14)  |           |         |           | 8.82%  | 7.53%  |
| Alok Singh(10),(15)  |           |         |           | 10.14% | 8.62%  |
| Christopher E. Watson(10),(11)                                 |           | 6,026   |           | 0.01%  | 0.01%  |
| Directors and Executive Officers as<br>a group(19 persons)(16) | 1,211,483 | 128,934 | 3,338,034 | 1.76%  | 5.16%  |

- (1) All holdings in this beneficial ownership table have been rounded to the nearest whole share.
- (2) The percentage of beneficial ownership for all holders has been rounded to the nearest 1/10th of a percentage. Total beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes common shares issuable within 60 days of March 13, 2009 upon the exercise of all options and warrants and other rights beneficially owned by the indicated person on that

**Table of Contents**

date. Fully diluted total beneficial ownership is based upon all common shares and all common shares subject to exercise of options and warrants outstanding at March 13, 2009. Under our Bye-laws, if, and for so long as, the common shares of a shareholder, including any votes conferred by controlled shares, would otherwise represent more than 9.09% of the aggregate voting power of all common shares entitled to vote on a matter, including an election of directors, the votes conferred by such shares will be reduced by whatever amount is necessary such that, after giving effect to any such reduction (and any other reductions in voting power required by our Bye-laws), the votes conferred by such shares represent 9.09% of the aggregate voting power of all common shares entitled to vote on such matter.

- (3) All of the common shares beneficially owned by funds affiliated with or managed by The Goldman Sachs Group, Inc. and Goldman, Sachs & Co. ( Goldman Sachs ) are non-voting. Common shares beneficially owned by entities affiliated with Bank of America Corp. ( Bank of America ) (the parent corporation of Merrill Lynch & Co, Inc. ( Merrill Lynch )) or managed by Bank of America affiliates are non-voting.
- (4) Funds affiliated with or managed by Goldman Sachs (collectively, the Goldman Sachs Funds ) are GSCP V AIV, L.P. (4,798,022 shares and 638,458.3 warrants), GS Capital Partners V Employees Fund, L.P. (1,550,787 shares and 206,358.9 warrants), GS Capital Partners V Offshore, L.P. (3,279,530 shares and 436,397.5 warrants), GS Capital Partners V GmbH & Co. KG (251,708 shares and 33,495.5 warrants), GSCP V Institutional AIV, Ltd. (2,177,093 shares and 289,698.7 warrants), GS Private Equity Partners 1999, L.P. (1,039,607 shares), GS Private Equity Partners 1999 Offshore, L.P. (166,143 shares), GS Private Equity Partners 1999 Direct Investments Funds, L.P. (29,720 shares), GS Private Equity Partners 2000, L.P. (439,293 shares), GS Private Equity Partners 2000 Offshore Holdings, L.P. (154,627 shares) and GS Private Equity Partners 2000 Direct Investment Fund, L.P. (170,607 shares). The Goldman Sachs Group, Inc., and certain affiliates, including Goldman Sachs, which is a broker-dealer, and the Goldman Sachs Funds may be deemed to directly or indirectly beneficially own in the aggregate 14,057,137 of our common shares and 1,604,410 warrants which are owned directly or indirectly by the Goldman Sachs Funds. Affiliates of The Goldman Sachs Group, Inc. and Goldman Sachs are the general partner, managing general partner or managing limited partner of the Goldman Sachs Funds. Goldman Sachs is the investment manager for certain of the Goldman Sachs Funds. Goldman Sachs is a direct and indirect, wholly owned subsidiary of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc., Goldman Sachs and the Goldman Sachs Funds share voting power and investment power with certain of their respective affiliates. Sumit Rajpal, The Goldman Sachs Group, Inc. and Goldman Sachs each disclaim beneficial ownership of the common shares owned directly or indirectly by the Goldman Sachs Funds, except to the extent of their pecuniary interest therein, if any. The address for the Goldman Sachs Funds and their affiliates is 85 Broad Street, 10th Floor, New York, New York 10004.
- (5) Funds managed by Aquiline Capital Partners LLC are Aquiline Financial Services Fund L.P. (4,420,420 shares) and Aquiline Financial Services Fund (Offshore) L.P. (2,465,922 shares). Aquiline Capital Partners LLC owns the warrants shown. Matthew J. Grayson and Christopher E. Watson are senior principals at Aquiline Capital Partners LLC and Jeffrey W. Greenberg is the managing principal of Aquiline Capital Partners LLC.
- (6) Funds affiliated with or managed by Vestar Capital Partners are Vestar AIV Employees Validus Ltd. (90,419 shares and 10,236.3 warrants), Vestar AIV Holdings B L.P. (71,538 shares and 8,130.9 warrants), and Vestar AIV Holdings A L.P. (8,409,470 shares and 954,442.4 warrants). Sander M. Levy is a managing director of Vestar Capital Partners.
- (7) Funds affiliated with or managed by New Mountain Capital, LLC are New Mountain Partners II (Cayman), L.P. (6,391,468 shares and 716,031.5 warrants), Allegheny New Mountain Partners (Cayman), L.P. (484,642 shares and 55,392.1 warrants) and New Mountain Affiliated Investors II (Cayman), L.P. (110,131 shares and 12,632.0 warrants). Alok Singh is a managing director of New Mountain Capital, LLC.

- (8) Entities affiliated with Bank of America or managed by Bank of America affiliates are ML Global Private Equity Fund, L.P. (4,285,714 shares and 364,803.6 warrants), Merrill Lynch Ventures L.P. 2001 (1,428,571 shares and 121,601.2 warrants), GMI Investments, Inc. (580,781.9 warrants) and Merrill Lynch, Pierce, Fenner & Smith Incorporated (420,245 shares).

-100-

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**Table of Contents**

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

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

Merrill Lynch Ventures L.P. 2001 disclaims beneficial ownership of the shares that ML Global Private Equity Fund, L.P. holds of record or may be deemed to beneficially own. ML Global Private Equity Fund, L.P. disclaims beneficial ownership of the shares that Merrill Lynch Ventures, L.P. 2001 holds of record or may be deemed to beneficially own. The address for the Merrill Lynch Funds and their affiliates is 4 World Financial Center, 23rd Floor, New York, NY 10080. Mandakini Puri is a senior vice president of Merrill Lynch Global Private Equity.

- (9) Unvested restricted shares held by our named executive officers and included in common shares accumulate dividends and may be voted. Unvested restricted shares held by our named executive officers are Mr. Noonan (180,938 shares), Mr. Reeth (153,847 shares), Mr. Atkin (319,680 shares), Mr. Consolino (138,350 shares), Mr. Carpenter (22,910).
- (10) See the section entitled "Election of Directors" in Validus' Definitive Proxy Statement filed with the SEC on March 25, 2009 for biographies of the directors, including their relationships with certain beneficial owners of common shares listed in this table.
- (11) Does not include shares and warrants beneficially owned by Aquiline Capital Partners LLC and the funds it manages. Mr. Grayson and Mr. Watson each disclaim existence of a group and beneficial ownership of the shares and warrants owned by Aquiline Capital Partners LLC and the funds it manages.



- (12) Includes shares and warrants beneficially owned by Aquiline Capital Partners LLC and the funds it manages. Mr. Greenberg disclaims existence of a group and disclaims beneficial ownership of the shares, options and warrants owned by entities affiliated with or managed by Aquiline Capital Partners LLC.
- (13) Includes shares and warrants beneficially owned by entities affiliated with or managed by Vestar Capital Partners. Mr. Levy disclaims existence of a group and disclaims beneficial ownership of the shares, options and warrants owned by entities affiliated with or managed by Vestar Capital Partners.
- (14) Includes shares and warrants beneficially owned by entities affiliated with Bank of America or managed by Bank of America affiliates. Ms. Puri disclaims existence of a group and disclaims beneficial

## **Table of Contents**

ownership of the shares, options and warrants owned by Bank of America or managed by Bank of America affiliates.

- (15) Includes shares, options and warrants beneficially owned by entities affiliated with or managed by New Mountain Capital LLC. Mr. Singh disclaims existence of a group and disclaims beneficial ownership of the shares, options and warrants owned by entities affiliated with or managed by New Mountain Capital Group, LLC.
- (16) Excludes shares as to which beneficial ownership is disclaimed.
- (17) The addresses of each beneficial owner are as follows: Funds affiliated with or managed by Goldman, Sachs & Company, c/o Goldman, Sachs & Co., 85 Broad Street, New York, NY 10004; Aquiline Financial Services Fund L.P., c/o Aquiline Capital Partners LLC, 535 Madison Avenue, New York, NY 10022; Funds affiliated with or managed by Vestar, c/o Vestar Capital Partners, 245 Park Avenue, 41st Floor, New York, NY 10167; Funds affiliated with or managed by New Mountain Capital, LLC, c/o New Mountain Capital, LLC, 787 Seventh Avenue, 49th Floor, New York, NY 10019; Funds affiliated with or managed by Bank of America, c/o Merrill Lynch Global Private Equity, 4 World Financial Center, 23rd Floor, New York, NY 10080. The address of each other beneficial owner listed is c/o Validus Holdings, Ltd., 19 Par-La-Ville Road, Hamilton HM11 Bermuda.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Validus and IPC**

As of the date this proxy statement was first mailed to IPC shareholders, Validus was the registered holder of 100 IPC Shares, or less than 1% of the outstanding IPC Shares, and Validus was entitled to vote as to all of the IPC Shares it owns.

### **Validus**

Validus has established written procedures for the review of transactions between Validus and any company affiliated with funds managed by any of Validus sponsors (a portfolio company) or any other company in which Validus officers or directors have a material interest. Any such transaction must be reviewed and approved by our management or the management of the operating subsidiary entering into the transaction, and the terms of such transaction should be arm's-length or on terms that are otherwise fair to Validus. Any such transaction will also require prior approval of the audit committee, except reinsurance assumed transactions with a portfolio company that senior management has determined are ordinary course. Furthermore, the effect, if any, of such a transaction on the independence of any director will be considered.

The employers of or entities associated with certain directors or their affiliates have purchased or may in the future purchase insurance and/or reinsurance from Validus on terms Validus believes were and will be no more favorable to these insureds than those made available to other customers.

Certain members of Validus management and staff have provided guarantees to 1384 Capital Ltd, a company formed to indirectly facilitate the provision of Funds at Lloyd's (FAL).

### ***Compensation Committee Interlocks and Insider Participation***

Validus compensation committee is composed of John J. Hendrickson, Sander M. Levy, Mandakini Puri, Sumit Rajpal and Alok Singh. Each member of Validus compensation committee, other than Messrs. Hendrickson and Singh, has a relationship with entities with which Validus has engaged in certain transactions described below. Entities affiliated with Messrs. Hendrickson and Singh acquired common shares at the time of Validus formation and are parties to Validus shareholder agreement described below.

***Shareholders Agreement and Related Provisions***

Certain of Validus shareholders who acquired Validus common shares prior to the date of Validus initial public offering (the existing shareholders ) and Validus have entered into a shareholders agreement dated as

## **Table of Contents**

of December 12, 2005 that governs certain relationships among, and contains certain rights and obligations of, such existing shareholders.

In connection with any future public offerings of common shares by Validus, the shareholders' agreement grants those existing shareholders certain rights to participate in registered offerings by Validus of its common shares, including demand and piggyback registration rights. The shareholders' agreement defines Aquiline Capital Partners, LLC, which, together with its related companies, we refer to as *Aquiline*, Goldman Sachs Capital Partners, Vestar Capital Partners, New Mountain Capital, LLC and Merrill Lynch Global Private Equity as sponsors. So long as a sponsor continues to beneficially hold at least 1/3 of its original common shares, a sponsor is deemed to be a qualified sponsor. The shareholders' agreement permits qualified sponsors to make up to four demand registrations.

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

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

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

### ***Relationships with Our Founder and Sponsoring Investors and Their Related Parties***

Validus Re entered into agreements on December 8, 2005 with BlackRock Financial Management, Inc. ( *BlackRock* ) under which BlackRock provides investment management services of part of its investment portfolio, as well as certain reporting and related services in connection therewith. Accounting and investment management fees earned by BlackRock for the year ended December 31, 2008 were \$2,243,000. During 2008, Merrill Lynch (whose parent company is Bank of America) owned a substantial equity interest in BlackRock.

Validus Re entered into an agreement on December 8, 2005 with Goldman Sachs Asset Management and its affiliates ( *GSAM* ) under which GSAM was appointed as an investment manager of part of Validus' investment portfolio. Investment management fees earned by GSAM for year ended December 31, 2008 were \$1,404,000.

Pursuant to a reinsurance agreement, Validus has ceded premiums to Group Ark Insurance Holdings Ltd. ( *Group Ark* ) of \$1,348,000 for the year ended December 31, 2008. A balance due to Group Ark of \$60,000 was included in reinsurance balances payable December 31, 2008. The contract terms were negotiated on an arm's-length basis. Aquiline and its affiliates own a majority of the ordinary shares of, and Mr. Watson is a director of, Group Ark.

Certain members of Validus management and staff have provided guarantees to 1384 Capital Ltd, a company formed to indirectly facilitate the provision of FAL. Validus paid \$803,000 of finance expenses to such management and staff in respect of such provision of FAL for the year ended December 31, 2008, all of which was included in accounts

payable and accrued expenses at December 31, 2008. An amount of \$66,000 was included in general and administrative expenses in respect of the reimbursement of expenses relating to such FAL provision for the year ended December 31, 2008.

**Table of Contents**

**SOLICITATION OF PROXIES**

Except as set forth below, Validus will not pay any fees or commissions to any broker, dealer, commercial bank, trust company or other nominee for the solicitation of proxies in connection with this solicitation.

Proxies will be solicited by mail, telephone, facsimile, telegraph, the internet, e-mail, newspapers and other publications of general distribution and in person. Directors and officers of Validus listed on Schedule I hereto may assist in the solicitation of proxies without any additional remuneration (except as otherwise set forth in this proxy statement).

Validus has retained Georgeson for solicitation and advisory services in connection with solicitations relating to the Validus special meeting, for which Georgeson may receive a fee of up to \$75,000 in connection with the solicitation of proxies for the Validus special meeting. Up to 50 people may be employed by Georgeson in connection with the solicitation of proxies for the Validus special meeting. Validus has also agreed to reimburse Georgeson for out-of-pocket expenses and to indemnify Georgeson against certain liabilities and expenses, including reasonable legal fees and related charges. Georgeson will solicit proxies for the Validus special meeting from individuals, brokers, banks, bank nominees and other institutional holders. The entire expense of soliciting proxies for the Validus special meeting by or on behalf of Validus is being borne by Validus.

If you have any questions concerning this proxy statement or the procedures to be followed to execute and deliver a proxy, please contact Georgeson at the address or phone number specified above or on the back cover of this proxy statement.

**OTHER MATTERS**

Validus knows of no specific matter to be brought before the Validus special meeting that is not referred to in the notice of the Validus special meeting. If any such matter comes before the Validus special meeting, including any shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

**SHAREHOLDER PROPOSALS FOR VALIDUS 2010 ANNUAL GENERAL MEETING**

Shareholder proposals intended for inclusion in the proxy statement for the Validus 2010 annual general meeting should be submitted in accordance with the procedures prescribed by Rule 14a-8 promulgated under the Exchange Act and sent to the General Counsel at Validus Holdings, Ltd., Suite 1790, 48 Par-la-Ville Road, Hamilton, HM 11 Bermuda .. Such proposals must be received by November 26, 2009.

In addition, a Validus shareholder may present a proposal at the Validus 2010 annual general meeting other than pursuant to Rule 14a-8 promulgated under the Exchange Act. Any such proposal will not be included in the proxy statement for the Validus 2010 annual general meeting and must be received by the General Counsel at Validus Holdings, Ltd., Suite 1790, 48 Par-la-Ville Road, Hamilton, HM 11, Bermuda by February 10, 2010. If any such proposal is not so received, such proposal will be deemed untimely and, therefore, the persons appointed by Validus board of directors as its proxies will have the right to exercise discretionary voting authority with respect to such proposal.

**WHERE YOU CAN FIND MORE INFORMATION**

Edgar Filing: VALIDUS HOLDINGS LTD - Form PRER14A

Validus and IPC file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Validus and IPC file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. These SEC filings are also available to the public from the Internet worldwide website maintained by the SEC at <http://www.sec.gov>. Reports, proxy statements and other information, with respect to Validus, may also be

-104-

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**Table of Contents**

inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York, 10005, and, with respect to IPC, may also be inspected at the offices of The NASDAQ Stock Market, One Liberty Plaza, 165 Broadway, New York, NY 10006.

If you are a Validus shareholder, some of the documents previously filed with the SEC may have been sent to you, but you can also obtain any of them through Validus, the SEC or the SEC's Internet website as described above. Documents filed with the SEC are available from Validus without charge, excluding all exhibits, except that, if Validus has specifically incorporated by reference an exhibit in this proxy statement, the exhibit will also be provided without charge.

You may obtain documents filed with the SEC by requesting them in writing or by telephone from Validus at the following addresses:

**VALIDUS HOLDINGS, LTD.**  
19 Par-La-Ville Road  
Hamilton HM11  
Bermuda  
(441) 278-9000  
Attention: Jon Levenson

If you would like to request documents, in order to ensure timely delivery, you must do so at least ten business days before the date of the Validus special meeting. **This means you must request this information no later than 2009.** Validus will mail properly requested documents to requesting shareholders by first class mail, or another equally prompt means, within one business day after receipt of such request.

You can also get more information by visiting Validus' website at <http://www.validusre.bm> and IPC's website at <http://www.ipcre.bm>.

Materials from these websites and other websites mentioned in this proxy statement are not incorporated by reference in this proxy statement. If you are viewing this proxy statement in electronic format, each of the URLs mentioned in this proxy statement is an active textual reference only.

The SEC allows Validus to incorporate by reference information in this proxy statement, which means that Validus can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement, except for any information that is superseded by information included directly in this proxy statement. This proxy statement incorporates by reference the documents set forth below that Validus and IPC have previously filed with the SEC. These documents contain important information about Validus and IPC and their financial condition, business and results.

**Validus Filings**

**(Commission File No. 001-33606)**

Annual Report on Form 10-K  
Current Reports on Form 8-K

For the fiscal year ended December 31, 2008  
Filed on: February 9, 2009, March 31, 2009, April 3, 2009, April 9, 2009, April 16, 2009, April 29, 2009, April 30, 2009, May 5, 2009 and May 6, 2009 (other than the portions of those documents not deemed to be filed)  
Filed on August 7, 2008



The description of Validus common shares contained in its registration statement on Form S-3, including any amendment or report filed for the purpose of updating the description.

**Table of Contents**

**IPC Filings**

**(Commission File No. 000-27662)**

Annual Report on Form 10-K

For fiscal year ended December 31, 2008 (as amended on Form 10-K/A filed on April 30, 2009)

Current Reports on Form 8-K

Filed on: March 2, 2009; March 10, 2009, March 11, 2009, March 31, 2009, April 7, 2009 and May 1, 2009 (other than the portions of those documents not deemed to be filed)

The description of IPC Shares contained in its registration statement on Form S-3, including any amendment or report filed for the purpose of updating the description.

Filed on April 27, 2006

Validus also incorporates by reference into this proxy statement each document filed by Validus or IPC with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement, but before the date of the Validus special meeting. To the extent, however, required by the rules and regulations of the SEC, Validus will amend this proxy statement to include information filed after the date of this proxy statement.

Validus has supplied all of the information contained or incorporated by reference in this proxy statement relating to Validus, as well as all unaudited pro forma financial information. All information contained or incorporated by reference in this proxy statement relating to IPC has been obtained from public filings filed by IPC with the SEC.

-106-

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**AGREEMENT AND PLAN OF AMALGAMATION**  
**Dated as of March 31, 2009**  
**Between**  
**IPC HOLDINGS, LTD.,**  
**VALIDUS HOLDINGS, LTD.**  
**And**  
**VALIDUS LTD.**

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**Table of Contents****TABLE OF CONTENTS**

|  | <b>Page</b> |
|--|-------------|
| <b>ARTICLE I</b>   |             |
| <b>THE AMALGAMATION</b>  |             |
| 1.1 The Amalgamation; Effective Time                           | 1           |
| 1.2 Closing  | 1           |
| 1.3 Effects of the Amalgamation                                | 2           |
| 1.4 Amalgamated Company Bye-laws                               | 2           |
| 1.5 [Reserved]   | 2           |
| 1.6 Directors and Officers of the Amalgamated Company          | 2           |
| 1.7 Amalgamated Company Name                                   | 2           |
| <b>ARTICLE II</b>  |             |
| <b>CONVERSION OF IPC SECURITIES; EXCHANGE OF CERTIFICATES</b>  |             |
| 2.1 Effect on Share Capital                                    | 2           |
| 2.2 Exchange Procedures  | 3           |
| 2.3 IPC Equity Awards  | 5           |
| <b>ARTICLE III</b>   |             |
| <b>REPRESENTATIONS AND WARRANTIES</b>                          |             |
| 3.1 Organization, Standing and Power                           | 7           |
| 3.2 Capital Structure  | 7           |
| 3.3 Authority; Non-Contravention                               | 8           |
| 3.4 SEC Documents; Regulatory Reports; Undisclosed Liabilities | 9           |
| 3.5 Compliance with Applicable Laws and Reporting Requirements | 10          |
| 3.6 Legal and Arbitration Proceedings and Investigations       | 11          |
| 3.7 Taxes  | 11          |
| 3.8 Absence of Certain Changes or Events                       | 13          |
| 3.9 Board Approval   | 13          |
| 3.10 Vote Required   | 13          |
| 3.11 Agreements with Regulators                                | 14          |
| 3.12 Insurance Matters   | 14          |
| 3.13 Investments; Derivatives                                  | 18          |
| 3.14 Material Contracts; Intercompany Contracts                | 18          |
| 3.15 Employee Benefits and Executive Compensation              | 19          |
| 3.16 Labor Relations and Other Employment Matters              | 20          |
| 3.17 Intellectual Property                                     | 21          |
| 3.18 Properties  | 22          |
| 3.19 Brokers or Finders  | 22          |
| 3.20 Investment Advisor  | 22          |
| 3.21 Opinion of Financial Advisor                              | 22          |
| 3.22 Takeover Laws   | 22          |

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <b>ARTICLE IV</b>  |             |
| <b>COVENANTS RELATING TO CONDUCT OF BUSINESS</b>                     |             |
| 4.1 Covenants of Validus and IPC                                     | 22          |
| 4.2 Financing  | 25          |
| 4.3 Bermuda Required Actions   | 25          |
| <b>ARTICLE V</b>   |             |
| <b>ADDITIONAL AGREEMENTS</b>   |             |
| 5.1 Preparation of Proxy Statements; Shareholders Meetings           | 25          |
| 5.2 Access to Information; Confidentiality                           | 27          |
| 5.3 Commercially Reasonable Efforts                                  | 28          |
| 5.4 No Change in Recommendation                                      | 29          |
| 5.5 Acquisition Proposals  | 30          |
| 5.6 Section 16 Matters   | 32          |
| 5.7 Fees and Expenses  | 32          |
| 5.8 Indemnification; Directors and Officers Insurance                | 32          |
| 5.9 Public Announcements   | 33          |
| 5.10 Additional Agreements   | 33          |
| 5.11 Shareholder Litigation  | 33          |
| 5.12 Employee Benefits   | 33          |
| 5.13 Listing and Delisting; Reservation for Issuance                 | 33          |
| 5.14 Dividends   | 34          |
| 5.15 Tax Treatment   | 34          |
| 5.16 Book Value Calculations   | 34          |
| <b>ARTICLE VI</b>  |             |
| <b>CONDITIONS PRECEDENT</b>  |             |
| 6.1 Conditions to Each Party's Obligation to Effect the Amalgamation | 35          |
| 6.2 Conditions to Obligation of IPC                                  | 36          |
| 6.3 Conditions to Obligation of Validus                              | 36          |
| <b>ARTICLE VII</b>   |             |
| <b>TERMINATION AND AMENDMENT</b>                                     |             |
| 7.1 Termination  | 37          |
| 7.2 Effect of Termination  | 38          |

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <b>ARTICLE VIII</b>  |             |
| <b>GENERAL PROVISIONS</b>                                      |             |
| 8.1 Non-Survival of Representations, Warranties and Agreements | 39          |
| 8.2 Notices  | 40          |
| 8.3 Interpretation   | 40          |
| 8.4 Counterparts   | 41          |
| 8.5 Entire Agreement; No Third Party Beneficiaries             | 41          |
| 8.6 Governing Law  | 41          |
| 8.7 Severability   | 41          |
| 8.8 Assignment   | 41          |
| 8.9 Enforcement  | 41          |
| 8.10 Submission to Jurisdiction                                | 42          |
| 8.11 Amendment   | 42          |
| 8.12 Extension; Waiver   | 42          |
| 8.13 Defined Terms   | 42          |
| Exhibit A Amalgamation Agreement                               |             |
| Exhibit B [Reserved]   |             |
| Exhibit C [Reserved]   |             |
| Exhibit D [Reserved]   |             |
| Exhibit E IPC Bye-Law Amendment                                |             |
| Exhibit F Supplement to Section 4.1 of IPC Disclosure Letter   |             |

**Table of Contents**

AGREEMENT AND PLAN OF AMALGAMATION, dated as of March 31, 2009 (this Agreement ), between IPC HOLDINGS, LTD., a Bermuda exempted company (IPC ), VALIDUS HOLDINGS, LTD., a Bermuda exempted company (Validus ) and VALIDUS LTD., a Bermuda exempted company and a wholly owned subsidiary of Validus ( Amalgamation Sub ).

WHEREAS, the board of directors of IPC has adopted this Agreement and the Amalgamation Agreement (as defined in Section 1.1) and authorized and approved the amalgamation of IPC with Amalgamation Sub upon the terms and subject to the conditions set forth herein (the Amalgamation ), authorized and approved the IPC Bye-Law Amendment (as defined in Section 3.9(a)) and deems it fair to, advisable to and in the best interests of IPC to enter into this Agreement and to consummate the Amalgamation and the other transactions contemplated hereby;

WHEREAS, the board of directors of Validus has adopted this Agreement, authorized and approved the issuance of Validus Common Shares (as defined in Section 2.1(a)) in the Amalgamation (the Share Issuance ) and deems it fair, advisable and in the best interests of Validus to enter into this Agreement and to consummate the Share Issuance and the other transactions contemplated hereby;

WHEREAS, the board of directors of Amalgamation Sub has adopted this Agreement, authorized and approved the Amalgamation, and deems it advisable and in the best interests of Amalgamation Sub to enter into this Agreement and to consummate the Amalgamation and the other transactions contemplated hereby;

WHEREAS, this Agreement is being entered into in accordance with the Bermuda Companies Act of 1981, as amended (the Companies Act );

WHEREAS, IPC, Validus, and Amalgamation Sub desire to make certain representations, warranties and agreements in connection with the Amalgamation and also to prescribe various conditions to the Amalgamation; and

WHEREAS, it is intended that this Agreement shall constitute a plan of reorganization, within the meaning of Section 354 of the Internal Revenue Code of 1986, as amended (the Code ).

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

ARTICLE I

THE AMALGAMATION

1.1 The Amalgamation; Effective Time. Subject to the provisions of this Agreement and the amalgamation agreement attached as Exhibit A (the Amalgamation Agreement ), Amalgamation Sub and IPC will cause an application for registration of an amalgamated company (the Amalgamation Application ) to be prepared, executed and delivered to the Registrar of Companies in Bermuda (the Registrar ) as provided under S.108 of the Companies Act on or prior to the Closing Date and will cause the Amalgamation to become effective pursuant to the Companies Act. The Amalgamation shall become effective upon the issuance of a Certificate of Amalgamation by the Registrar or such other time as the Certificate of Amalgamation may provide. The parties agree that they will request the Registrar provide in the Certificate of Amalgamation that the Effective Time will be the time when the Amalgamation Application is filed with the Registrar or another time mutually agreed by the parties (the Effective Time ).

1.2 Closing. The closing of the Amalgamation (the Closing ) will take place at 10:00 a.m. on the date (the Closing Date ) that is the third business day after the satisfaction or waiver (if such waiver is permitted and effective under applicable Law (as defined in Section 3.5(a)) of the latest to be satisfied or waived of the conditions set forth in

ARTICLE VI (excluding conditions that, by their terms, are to be satisfied on the Closing Date), unless another time or date is agreed to in writing by the parties. The Closing shall be held at the offices of Cahill Gordon & Reindel llp, 80 Pine Street, in New York, NY, unless another place is agreed to in writing by the parties.



**Table of Contents**

1.3 Effects of the Amalgamation. As of the Effective Time, subject to the terms and conditions of this Agreement and the Amalgamation Agreement, IPC shall be amalgamated with Amalgamation Sub and the amalgamated company (the Amalgamated Company ) shall continue after the Amalgamation. The parties acknowledge and agree that for purposes of Bermuda Law (a) the Amalgamation shall be effected so as to constitute an amalgamation and (b) the Amalgamated Company shall be deemed to be an amalgamated company in accordance with section 104 of the Companies Act. Under Section 109 of the Companies Act, from and after the Effective Time: (i) the Amalgamation of IPC and Amalgamation Sub and their continuance as one company shall become effective; (ii) the property of each of IPC and Amalgamation Sub shall become the property of Amalgamated Company; (iii) Amalgamated Company shall continue to be liable for the obligations and liabilities of each of IPC and Amalgamation Sub; (iv) any existing cause of action, claim or liability to prosecution shall be unaffected; (v) a civil, criminal or administrative action or proceeding pending by or against IPC or Amalgamation Sub may be continued to be prosecuted by or against Amalgamated Company; and (vi) a conviction against, or ruling, order or judgment in favor of or against, IPC or Amalgamation Sub may be enforced by or against Amalgamated Company.

1.4 Amalgamated Company Bye-laws. The bye-laws of the Amalgamated Company shall be the bye-laws of the Amalgamation Sub.

1.5 [Reserved].

1.6 Directors and Officers of the Amalgamated Company.

(a) The parties hereto shall take all actions necessary so that the board of directors of Amalgamation Sub at the Effective Time shall, from and after the Effective Time, be the directors of the Amalgamated Company until the earlier of their resignation or removal or until their respective successors are duly elected or appointed.

(b) The parties hereto shall take all actions necessary so that the officers of Amalgamation Sub at the Effective Time shall, from and after the Effective Time, be the officers of the Amalgamated Company until the earlier of their resignation or removal or until their respective successors are duly elected or appointed.

1.7 Amalgamated Company Name. IPC and Validus shall take all actions reasonably necessary so that immediately after the Effective Time the name of the Amalgamated Company shall be Validus Ltd.

ARTICLE II

CONVERSION OF IPC SECURITIES; EXCHANGE OF CERTIFICATES

2.1 Effect on Share Capital. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the Amalgamation and without any action on the part of the holder of any common shares in IPC, each having a par value of \$0.01 (each, an IPC Common Share ), as evidenced by way of entry in the register of shareholders of IPC (the IPC Share Register ) or by share certificates registered in the name of a shareholder and representing outstanding IPC Common Shares (each, a IPC Certificate ):

(a) Conversion of IPC Common Shares. Each IPC Common Share, issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares) shall be cancelled and converted into the right to receive shares in the share capital of Validus, each having a par value of \$0.175 (each, a Validus Common Share ) equal to 1.2037 (the Exchange Ratio ) (the Exchange Ratio, together with any cash paid in lieu of fractional shares in accordance with Section 2.2(e), the Amalgamation Consideration ). Upon such conversion, each IPC Common Share shall be cancelled and each holder of shares registered in the IPC Share Register or holding a valid IPC Certificate immediately prior to the Effective Time shall thereafter cease to have any rights with respect to such shares except the right to receive the

Amalgamation Consideration. The Amalgamation Consideration shall be appropriately adjusted to reflect fully the effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Validus Common Shares or IPC Common Shares), reorganization, recapitalization, reclassification or other like change with respect to Validus Common Shares or IPC Common Shares having a record date on or after the date hereof and prior to the Effective Time.

**Table of Contents**

(b) Cancellation of Validus-Owned Securities. Notwithstanding anything in this Agreement to the contrary, all IPC Common Shares that are owned by Validus or by any subsidiary of Validus immediately prior to the Effective Time shall, by virtue of the Amalgamation, and without any action on the part of the holder thereof, automatically be cancelled and retired without any conversion thereof and shall cease to exist, and no payment shall be made in respect thereof.

(c) Shares of Dissenting Shareholders. Notwithstanding anything in this Agreement to the contrary, any issued and outstanding IPC Common Shares held by a person who did not vote in favor of the Amalgamation and who complies with all the provisions of the Companies Act concerning the right of holders of IPC Common Shares to require appraisal of their IPC Common Shares pursuant to Bermuda Law (such shareholder, a Dissenting Shareholder , and such shares, Dissenting Shares ) shall, at the Effective time, be cancelled and converted into the right to receive the Amalgamation Consideration as described in Section 2.1(a), and the right to receive the excess thereof, if any, as appraised by the Supreme Court of Bermuda under Section 106 of the Companies Act. In the event that a Dissenting Shareholder fails to perfect, effectively withdraws or otherwise waives any right to appraisal, its IPC Common Shares shall be cancelled and converted as of the Effective Time into the right to receive the Amalgamation Consideration for each such Dissenting Share. IPC shall give Validus (i) prompt notice of (A) any written demands for appraisal of Dissenting Shares or withdrawals of such demands received by IPC and (B) to the extent that IPC has actual knowledge, any applications to the Supreme Court of Bermuda for appraisal of the fair value of the Dissenting Shares, and (ii) the opportunity to participate with IPC in all negotiations and proceedings with respect to any demands for appraisal under the Companies Act. Neither IPC nor Validus shall, without the prior written consent of the other party (not to be unreasonably withheld or delayed), voluntarily make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

2.2 Exchange Procedures.

(a) Exchange Agent. Prior to the Effective Time, Validus shall designate an exchange agent reasonably acceptable to IPC (the Exchange Agent ) for the purpose of exchanging IPC Common Shares outstanding immediately prior to the Effective Time. Prior to or at the Effective Time, Validus shall deposit, or shall cause to be deposited, with the Exchange Agent in accordance with this ARTICLE II, certificates, or at Validus's option, shares in book entry form representing the Validus Common Shares to be exchanged in the Amalgamation, cash in an amount sufficient to pay any cash payable in lieu of fractional shares pursuant to Section 2.2(e) and any dividends or distributions to which the shareholders of IPC may be entitled pursuant to Section 2.2(c). Such Amalgamation Consideration and cash so deposited are hereinafter referred to as the Exchange Fund. No interest shall be paid or accrued for the benefit of holders of the IPC Certificates on cash amounts payable upon the surrender of such certificates pursuant to this Section 2.2.

(b) Exchange Procedures. As promptly as practicable following the Effective Time, Validus or the Amalgamated Company shall cause the Exchange Agent to mail, to each shareholder of IPC, (i) a letter of transmittal (which shall be in such form and have such other provisions as the parties may reasonably specify) and (ii) where applicable, instructions for use in effecting the surrender of IPC Certificates, to the extent available and in issue, in exchange for the Amalgamation Consideration. After the Effective Time, upon surrender of title to the IPC Common Shares previously held by a shareholder of IPC in accordance with this Section 2.2, together with such letter of transmittal duly executed if such shareholder holds IPC Certificates, and such other documents as the Exchange Agent may reasonably require, a holder of IPC Common Shares shall be entitled to receive in exchange therefor a certificate or book-entry representing that number of whole Validus Common Shares and any cash in lieu of fractional shares that such shareholder has the right to receive pursuant to this ARTICLE II, and any IPC Certificate surrendered in respect thereof shall forthwith be marked as cancelled. In the event of a transfer of ownership of IPC Common Shares that is not registered in the transfer records of IPC, a certificate or book-entry representing the proper number of Validus Common Shares may be issued to a transferee if the IPC Certificate representing such IPC Common Shares (if any) is

presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and by evidence that any applicable stock transfer taxes have been paid.

**Table of Contents**

(c) Distributions with Respect to Unexchanged Shares. No dividends or other distributions declared or made with respect to Validus Common Shares with a record date on or after the Effective Time shall be paid to any shareholder of IPC holding any unsurrendered IPC Certificate with respect to the Validus Common Shares represented thereby, nor shall the cash payment in lieu of fractional shares be paid to any such shareholder pursuant to Section 2.2(e), until such shareholder shall surrender such IPC Certificate in accordance with the procedures set forth in this ARTICLE II. Following the surrender of any such IPC Certificate in accordance with the procedures set forth in this ARTICLE II, such shareholder shall be entitled to receive, in addition to the consideration set forth in Section 2.1(a), without interest, (i) at the time of such surrender, the amount of any dividends or other distributions with a record date on or after the Effective Time theretofore paid (but withheld pursuant to the immediately preceding sentence) with respect to such whole Validus Common Shares which a shareholder of IPC holding such IPC Certificate is entitled to receive hereunder, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole Validus Common Shares which such shareholder is entitled to receive hereunder.

(d) No Further Rights in IPC Common Shares. All Amalgamation Consideration paid or issued upon the surrender of title to IPC Common Shares in accordance with the terms of this ARTICLE II (including any cash paid pursuant to this ARTICLE II) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to the shareholders of IPC, in their capacity as shareholders of IPC prior to the Effective Time. There shall be no further registration of transfers on the stock transfer books of the Amalgamated Company of the IPC Common Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, IPC Certificates are presented to Validus or to the Amalgamated Company or to the Exchange Agent for any reason, they shall be marked as cancelled and exchanged in accordance with this ARTICLE II, except as otherwise required by Law.

(e) No Fractional Shares. Notwithstanding anything in this Agreement to the contrary, no fraction of a Validus Common Share will be issued in connection with the Amalgamation, and in lieu thereof any shareholder of IPC who would otherwise have been entitled to a fraction of a Validus Common Share, shall be paid upon surrender of title to IPC Common Shares for exchange (and after taking into account and aggregating IPC Common Shares represented by all IPC Certificates surrendered by such holder, or as set out in the IPC Share Register, as applicable) cash in an amount (without interest) equal to the product obtained by multiplying (i) the fractional share interest to which such shareholder (after taking into account and aggregating all IPC Common Shares represented by all IPC Certificates surrendered by such shareholder or as set out in the IPC Share Register, as applicable) would otherwise be entitled by (ii) the Average Validus Share Price (as defined in Section 8.13(a)).

(f) Lost, Stolen or Destroyed Certificates. In the event any IPC Certificates shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed certificates, upon the making of an affidavit of that fact by the holder thereof, the Amalgamation Consideration and any dividends or other distributions as may be required pursuant to this ARTICLE II in respect of the IPC Common Shares represented by such lost, stolen or destroyed certificates; provided that Validus may, in its reasonable discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Validus or the Exchange Agent with respect to the certificates alleged to have been lost, stolen or destroyed.

(g) Termination of Exchange Fund. Unless a longer period is prescribed by applicable Law or Validus's agreement with the Exchange Agent, any portion of the Exchange Fund that remains undistributed to the shareholders of IPC for six months after the Effective Time shall be delivered to Validus, upon demand, and any shareholders of IPC who have not theretofore complied with this ARTICLE II shall thereafter look only to Validus for payment of their claim for the Amalgamation Consideration and any dividends or distributions with respect to Validus Common Shares.

(h) No Liability. To the extent allowed under applicable Law, any Amalgamation Consideration and any dividends or distributions with respect to Validus Common Shares comprising the Amalgamation Consideration

**Table of Contents**

that remain undistributed to the shareholders of IPC shall be delivered to and become the property of Validus on the day immediately prior to the day that such property is required to be delivered to any public official pursuant to any applicable abandoned property, escheat or similar Law. None of Validus, Amalgamation Sub, Amalgamated Company or the Exchange Agent shall be liable to any shareholder of IPC for any such property delivered to Validus or to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(i) Withholding. The Exchange Agent, Validus and the Amalgamated Company shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any shareholder of IPC such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of applicable tax Law. To the extent that amounts are so withheld by the Exchange Agent, Validus or the Amalgamated Company, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the IPC Common Shares in respect of which such deduction and withholding was made. The parties agree to cooperate with each other for purposes of determining whether any taxes are required to be withheld with respect to the Amalgamation.

2.3 IPC Equity Awards.

(a) IPC Stock Options. Subject to the terms and conditions of this Agreement, at the Effective Time, by virtue of the transactions contemplated by this Agreement and without any action on the part of any holder of any outstanding option to purchase IPC Common Shares under any IPC Share Plan (as defined in Section 3.2(a)), whether vested or unvested, exercisable or unexercisable (each, an IPC Share Option ), each IPC Share Option that is outstanding and unexercised immediately prior thereto shall cease to represent a right to acquire IPC Common Shares and shall be converted into an option (a New Option ) to purchase, on the same terms and conditions as were applicable under the terms of the IPC Share Plan under which the IPC Share Option was granted and the applicable award agreement thereunder (taking into account any accelerated vesting thereunder), such number of Validus Common Shares and at an exercise price per share determined as follows:

(1) Number of Shares. The number of IPC Common Shares subject to a New Option shall be equal to the product of (A) the number of IPC Common Shares subject to such IPC Share Option immediately prior to the Effective Time and (B) the Exchange Ratio, the product being rounded, if necessary, to the nearest whole share; and

(2) Exercise Price. The exercise price per Validus Common Share purchasable upon exercise of a New Option shall be equal to (A) the per share exercise price of the IPC Share Option divided by (B) the Exchange Ratio, the quotient being rounded, if necessary, to the nearest cent.

The foregoing adjustments shall (i) in the case of any IPC Share Option that is intended to be an incentive stock option under Section 422 of the Code, be determined in a manner consistent with the requirements of Section 424(a) of the Code and (ii) in the case of any IPC Share Option that is not intended to be an incentive stock option, be determined in a manner consistent with the requirements of Section 409A of the Code.

(b) IPC Other Awards. Subject to the terms and conditions of this Agreement:

(1) at the Effective Time, by virtue of the transactions contemplated by this Agreement and without any action on the part of any holder of any outstanding right of any kind, contingent or accrued, to acquire or receive IPC Common Shares or benefits measured by the value of IPC Common Shares, each outstanding award of any kind consisting of IPC Common Shares or benefits measured by the value of IPC Common Shares (including performance share units where the performance period has ended prior to the Effective Date), in each case that may be held, awarded, outstanding, payable or reserved for issuance under any IPC Share Plan and any other IPC Benefit Plan (as defined in Section 8.13(a)), but excluding IPC Share Options and IPC performance share units for which the performance period

expires on or after the Effective Time (the IPC Non-Performance Awards ), shall be deemed to be converted into the right to acquire or receive benefits measured by the value of (as the case may be) the number of Validus Common Shares equal to the product (rounded, if necessary, to the nearest whole number) of (x) the



**Table of Contents**

number of IPC Common Shares subject to such IPC Non-Performance Award immediately prior to the Effective Time and (y) the Exchange Ratio. Except as specifically provided above, following the Effective Time, each such right shall otherwise be subject to the same terms and conditions as were applicable to the rights under the relevant IPC Share Plan or other IPC Benefit Plan and the applicable award agreement thereunder (taking into account any accelerated vesting thereunder) immediately prior to the Effective Time; and

(2) immediately prior to the Effective Time, by virtue of the transactions contemplated by this Agreement and without any action on the part of any holder of any IPC performance share unit for which the performance period expires on or after the Effective Time (each a Non-Vested PSU ), the number of IPC Common Shares to which each Non-Vested PSU relates shall be calculated based on the original grant date target value of the Non-Vested PSU, as pro-rated on a daily basis to each year of the original vesting period (the IPC Performance Awards ) and, at the Effective Time, each IPC Performance Award shall be deemed to be converted into the right to acquire or receive benefits measured by the value of (as the case may be) the number of Validus Common Shares equal to the product (rounded, if necessary, to the nearest whole number) of (x) the number of IPC Common Shares to which each IPC Performance Award relates immediately prior to the Effective Time and (y) the Exchange Ratio. Except as specifically provided above, following the Effective Time, each such right shall otherwise be subject to the same terms and conditions as were applicable to the rights under the relevant IPC Share Plan or other IPC Benefit Plan and the applicable award agreement thereunder (taking into account any accelerated vesting thereunder) immediately prior to the Effective Time. IPC Performance Awards and IPC Non-Performance Awards shall be, collectively, referred to as the IPC Other Awards.

(c) Corporate Actions. Before the Effective Time, IPC, or its board of directors or an appropriate committee thereof, shall take all action necessary on its part to give effect to the provisions of Sections 2.3(a) and (b) and shall take such other actions reasonably requested by Validus to give effect to the foregoing (including obtaining the consent of the holder of or amending the terms of any IPC Share Options, IPC Other Awards or any IPC Share Plan). IPC shall take all actions necessary to ensure that, from and after the Effective Time, none of IPC, Validus, the Amalgamated Company or any of their respective subsidiaries will be required to deliver IPC Common Shares or other capital stock of IPC to any person pursuant to or in settlement of IPC Share Options or IPC Other Awards at or after the Effective Time.

(d) Registration. If registration of any interests in the IPC Share Plans or any other IPC Benefit Plan or the Validus Common Shares issuable thereunder is required under the Securities Act, Validus shall file with the SEC within five business days after the Effective Time a registration statement on Form S-8 (or any successor or other appropriate forms) with respect to such interests of Validus Common Shares, and shall use its commercially reasonable efforts to maintain the effectiveness of such registration statement (and maintain the current status of the prospectus or the prospectuses contained therein) for so long as the relevant IPC Share Plans or other IPC Benefit Plans, as applicable, remain in effect and such registration of interests therein or the Validus Common Shares issuable thereunder continues to be required.

(e) Notice to Equity Award Holders. As soon as practicable after the Effective Time, Validus shall deliver to the holders of IPC Share Options and IPC Other Awards appropriate notices setting forth such holders' rights pursuant to any IPC Share Plan or IPC Benefit Plan and agreements evidencing such IPC Share Options and IPC Other Awards and stating that the IPC Share Plans or IPC Benefit Plans and such IPC Share Options and IPC Other Awards and agreements have been assumed by Validus and shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 2.3 after giving effect to the Amalgamation and the terms of the IPC Share Plans or IPC Benefit Plans).

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Except as (i) set forth in the correspondingly identified subsection of the disclosure letter delivered by Validus to IPC simultaneously with the execution of this Agreement by Validus (the Validus Disclosure

## Table of Contents

Letter ) or the disclosure letter delivered by IPC to Validus simultaneously with the execution of this Agreement by IPC, which shall be identical in all respects to the Disclosure Letter delivered by IPC to Max Capital Group Ltd. at the time the IM Agreement was signed (the IPC Disclosure Letter and each of the Validus Disclosure Letter and the IPC Disclosure Letter, a Disclosure Letter ), as the case may be, or (ii) disclosed in the relevant party's SEC Documents filed with the SEC on or after January 1, 2008 and prior to the date of this Agreement (excluding any disclosures set forth in any risk factor section or forward-looking statements contained therein), IPC hereby represents and warrants to Validus, and Validus (and Amalgamation Sub with respect to Sections 3.1(a), 3.1(c), 3.3 and 3.9(c)) hereby represents and warrants to IPC, to the extent applicable, in each case with respect to itself and its subsidiaries, as follows:

### 3.1 Organization, Standing and Power.

(a) Each of it and its subsidiaries is a company or other legal entity duly organized and validly existing and in good standing (with respect to jurisdictions which recognize such concept) under the Laws of its jurisdiction of incorporation or organization, has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and is duly qualified to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, except where the failure to be so qualified has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) The copies of its memorandum of association and bye-laws incorporated by reference in its Form 10-K for the year ended December 31, 2008, are true, complete and correct copies of such documents, are in full force and effect and have not been amended or otherwise modified, except as they may be or have been amended or otherwise modified pursuant to the IPC Bye-Law Amendment (as defined in Section 3.9(a)).

(c) Validus and Amalgamation Sub represent to IPC that: (i) true and complete copies of the memorandum of association and bye-laws of Amalgamation Sub, each as in effect as of the date of this Agreement, will be made available to IPC, upon request, within one (1) business day of the termination of the IM Agreement, (ii) Amalgamation Sub was formed by Validus solely for the purpose of effecting the Amalgamation and the other transactions contemplated by this Agreement, and (iii) Amalgamation Sub has not conducted any business prior to the date hereof and has no, and immediately prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement.

### 3.2 Capital Structure.

(a) Its authorized share capital and outstanding common shares as of the date set forth in the corresponding section of its Disclosure Letter, including any shares reserved for issuance upon the exercise or payment of outstanding warrants and outstanding stock options or other equity related awards (such stock option and other equity-based award plans, agreements and programs, collectively, in the case of Validus, the Validus Share Plans and, in the case of IPC, the IPC Share Plans ), is described in the corresponding section of its Disclosure Letter. In the case of Validus, none of its Common Shares are held by it or by its subsidiaries. In the case of IPC, its Common Shares that are held by it and its subsidiaries are described in the corresponding section of its Disclosure Letter. All of its outstanding Common Shares have been duly authorized and validly issued and are fully paid and non-assessable and not subject to preemptive rights. Section 3.2(a) of its Disclosure Letter sets forth a list of all warrants, options, restricted stock, restricted stock units or other equity awards outstanding as of the date hereof.

(b) From January 1, 2009 to the date hereof, it has not issued or permitted to be issued any common shares, share appreciation rights or securities exercisable or exchangeable for or convertible into shares in its or any of its subsidiaries' share capital.

(c) It or one of its wholly-owned subsidiaries owns all of the issued and outstanding shares in the share capital of its subsidiaries, beneficially and of record, and all such shares are fully paid and nonassessable, are not subject to preemptive rights and are free and clear of any claim, lien or encumbrance.

-7-

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**Table of Contents**

(d) No bonds, debentures, notes or other indebtedness having the right to vote (or which are convertible into or exercisable for securities having the right to vote) on any matters on which shareholders may vote ( Voting Debt ) of it or any of its subsidiaries are issued or outstanding.

(e) Except for options or other equity-based awards issued or to be issued under the Validus Share Plans (in the case of Validus) or the IPC Share Plans (in the case of IPC), there are no options, warrants, calls, convertible or exchangeable securities, rights, commitments or agreements of any character to which it or any of its subsidiaries is a party or by which it or any such subsidiary is bound (i) obligating it or any of its subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the share capital or any Voting Debt or other equity rights of it or any of its subsidiaries, (ii) obligating it or any of its subsidiaries to grant, extend or enter into any such option, warrant, call, convertible or exchangeable security, right, commitment or agreement or (iii) that provide the economic equivalent of an equity ownership interest in it or any of its subsidiaries.

(f) None of it or any of its subsidiaries is a party to any member or shareholder agreement, voting trust agreement or registration rights agreement relating to any equity securities of it or any of its subsidiaries or any other agreement relating to disposition, voting or dividends with respect to any equity securities of it or any of its subsidiaries. There are no outstanding contractual obligations of it or any of its subsidiaries to repurchase, redeem or otherwise acquire any shares in the share capital of it or any of its subsidiaries.

(g) Since January 1, 2009 through the date of this Agreement, it has not declared, set aside, made or paid to its shareholders dividends or other distributions on the outstanding shares in its share capital.

(h) It has not waived any voting cut-back, transfer restrictions or similar provisions of its or its subsidiaries' bye-laws with respect to any of its or their shareholders, except for such waivers set forth in its bye-laws.

3.3 Authority: Non-Contravention.

(a) It has all requisite corporate power and authority to enter into this Agreement and, subject to obtaining the Required Validus Vote (as defined in Section 3.10(a)) (in the case of Validus) or the Required IPC Vote (as defined in Section 3.10(b)) (in the case of IPC), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on its part and no other corporate proceedings on its part are necessary to authorize this Agreement and consummate the transactions contemplated hereby, subject to the Required Validus Vote (in the case of Validus) or the Required IPC Vote (in the case of IPC). This Agreement has been duly executed and delivered by it and (assuming the due authorization, execution and delivery by the other parties hereto) constitutes a valid and binding obligation of it, enforceable against it in accordance with its terms, except to the extent enforcement is limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and by general equitable principles.

(b) Neither the execution and delivery of this Agreement by it nor the consummation by it of the transactions contemplated hereby, nor compliance by it with any of the terms or provisions hereof, will (i) violate any provision of the memorandum of association or bye-laws of it (as they may be or have been modified, in the case of IPC, pursuant to the IPC Bye-Law Amendment) or the memorandum of association, bye-laws or equivalent organizational documents of any of its subsidiaries or (ii) assuming that the consents, approvals, orders, authorizations, registrations, declarations and filings referred to in Section 3.3(c) are duly obtained or made, (A) violate any Law applicable to it or any of its subsidiaries or any of their respective properties or assets or (B) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the cancellation, suspension, non-renewal or termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien,

pledge, security interest, charge or other encumbrance upon (1) any Permit (as defined in Section 3.5(a)) or (2) any of the respective properties or assets of it or any of its subsidiaries under, any of the terms, conditions or provisions of any loan or credit agreement, note, mortgage, indenture, lease, Validus Benefit Plan (as defined

**Table of Contents**

in Section 8.13(a)) (in the case of Validus) or IPC Benefit Plan (as defined in Section 8.13(a)) (in the case of IPC) or other agreement, obligation or instrument to which it or any of its subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except (with respect to clause (ii)) for such violations, conflicts or breaches that have not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(c) No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority, body, agency, official or instrumentality, domestic or foreign, or self-regulatory organization or other similar non-governmental regulatory body (each, a Governmental Entity ), is required to be made or obtained by it or any of its subsidiaries in connection with the execution and delivery of this Agreement by it or the consummation by it of the transactions contemplated hereby, except for (i) the filing of the Amalgamation Application and related attachments with the Registrar, (ii) the written notification to the Bermuda Monetary Authority regarding Validus's acquisition of the IPC Common Shares, (iii) such other applications, filings, authorizations, orders and approvals as may be required under applicable Laws (including all applicable Insurance Laws) of any jurisdiction and any approvals thereof, which are set forth in Section 3.3(c) of its Disclosure Letter, (iv) the filing with the SEC of such registrations, prospectuses, reports and other materials as may be required in connection with this Agreement and the transactions contemplated hereby, including the Joint Proxy Statement/Prospectus (as defined in Section 5.1(a)), and the obtaining from the SEC of such orders as may be required in connection therewith, (v) compliance with any applicable requirements of NASDAQ or the NYSE, as applicable, (vi) in the case of Validus, such filings and approvals as are required to be made or obtained under the securities or Blue Sky Laws of various jurisdictions in connection with the issuance of the Validus Common Shares pursuant to this Agreement, and (vii) for any other such consent, approval, order or authorization of, or registration, declaration or filings, the failure of which to obtain or make would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

3.4 SEC Documents; Regulatory Reports; Undisclosed Liabilities.

(a) It and its subsidiaries have timely filed all required reports, schedules, registration statements and other documents with the SEC since January 1, 2008 (the SEC Documents ). As of their respective dates of filing with the SEC (or, if amended or superseded by a filing prior to the date hereof, as of the date of such filing), the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933, as amended (the Securities Act ), or the Securities Exchange Act of 1934, as amended (the Exchange Act ), as the case may be, and the rules and regulations of the SEC thereunder applicable to such SEC Documents, and none of its or its subsidiaries' SEC Documents when filed contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of it and its subsidiaries included in its SEC Documents complied, as of their respective dates of filing with the SEC (or, if amended or superseded by a filing prior to the date hereof, as of the date of such filing), with all applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be disclosed therein) and fairly present in all material respects the consolidated financial position of it and its consolidated subsidiaries and the consolidated results of operations, changes in shareholders' equity and cash flows of such companies as of the dates and for the periods shown. As of the date hereof, there are no outstanding written comments from the SEC with respect to its SEC Documents.

(b) Except for (i) those liabilities that are reflected or reserved for in its consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC prior to the date of this Agreement, (ii) liabilities and obligations incurred pursuant to this Agreement, (iii) liabilities incurred since December 31, 2008 (1) in the ordinary course of business (including claims and any related litigation or arbitration arising in the ordinary course of business under Policies (as defined in Section 3.12(g)) or (2) pursuant to any

Reinsurance Agreements (as defined in Section 3.12(e)) issued or assumed, as the case may be, by one of its Insurance Entities (as defined in Section 3.12(a)) for which adequate claims reserves have been established), and (iv) liabilities which have not had and would not be



**Table of Contents**

reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, it and its subsidiaries do not have, and since December 31, 2008, it and its subsidiaries have not incurred, any liabilities or obligations of any nature whatsoever (whether accrued, absolute, contingent or otherwise and whether or not required to be reflected in its financial statements in accordance with GAAP).

3.5 Compliance with Applicable Laws and Reporting Requirements. Except as has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect:

(a) It and its subsidiaries hold in full force and effect all permits, certifications, registrations, permissions, consents, franchises, concessions, licenses, variances, exemptions, orders, approvals and authorizations of all Governmental Entities necessary for the ownership and conduct of the business of it and its subsidiaries (including any insurance licenses or permissions from insurance regulatory authorities) in each of the jurisdictions in which it or its subsidiaries currently conduct or operate its business (the Permits ), and it and its subsidiaries are in compliance with the terms and requirements of its Permits and any applicable law, statute, ordinance, common law, arbitration award, or any rule, regulation, judgment, order, writ, injunction, decree, agency requirement or published interpretation of any Governmental Entity, including all relevant bye-laws and regulations of the Council and Society of Lloyd s incorporated under the Lloyd s Act of 1871 to 1982 of England and Wales (Lloyd s ) in each of the jurisdictions in which it or its subsidiaries currently conduct business or operate (collectively Laws ). The businesses of it and its subsidiaries have not been, and are not being, conducted in violation of any applicable Laws (including the USA PATRIOT Act of 2001, as amended, the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd 1 *et seq.*, as amended (or any other similar applicable foreign, federal, or state legal requirement), anti-money laundering laws, anti-terrorism laws, all applicable requirements relating to the sale, issuance, marketing, advertising and administration of insurance products (including licensing and appointments) and all Laws regulating the business and products of insurance and all applicable orders and directives of insurance regulatory authorities (the Insurance Laws ) and all applicable laws or other legal requirements relating to the retention of e-mail and other information). It and its subsidiaries have not received, at any time since January 1, 2007, any written notice or communication from any Governmental Entity regarding any actual, alleged, or potential violation of, or a failure to comply with, any Laws or the terms and requirements of any Permit or any actual or potential revocation, withdrawal, suspension, cancellation, modification, or termination of any Permit. All applications required to have been filed for the renewal of each Permit or other filings required to be made with respect to each Permit held by it or its subsidiaries have been duly filed on a timely basis with the appropriate Governmental Entity.

(b) It has established and maintains disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act). Such disclosure controls and procedures are designed to ensure that material information relating to it, including its consolidated subsidiaries, is made known to its principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared. Such disclosure controls and procedures are effective in timely alerting its principal executive officer and principal financial officer to material information required to be included in its periodic reports under the Exchange Act and ensure that the information required to be disclosed in its SEC Documents is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. It and its subsidiaries maintain a system of internal controls over financial reporting sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The records, systems, controls, data and information of it and its subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of it or its subsidiaries or accountants (including all means of access thereto and therefrom) and are held or maintained in such places as may be required under all applicable Laws (including Insurance Laws). It has disclosed, based on its most recent evaluation of internal controls prior to the date hereof, to its auditors and audit committee (i) any significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect its ability to record, process, summarize

and report financial information and (ii) any fraud that involves management or other employees who have a significant role in internal controls.

**Table of Contents**

(c) There are no outstanding loans or other extensions of credit made by it or any of its subsidiaries to any of its executive officers (as defined in Rule 3b-7 under the Exchange Act) or directors.

(d) Since January 1, 2007, it has complied with the applicable listing and corporate governance rules and regulations of NASDAQ (in the case of IPC) or the NYSE (in the case of Validus).

(e) Neither it nor any of its subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar contract (including any contract relating to any transaction or relationship between or among it and any of its subsidiaries, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose entity, on the other hand, or any off-balance sheet arrangement (as defined in Item 303(a) of Regulation S-K of the SEC)), where the result, purpose or intended effect of such contract is to avoid disclosure of any material transaction involving, or material liabilities of, it or any of its subsidiaries in the SEC Documents.

3.6 Legal and Arbitration Proceedings and Investigations. Except for litigation or arbitration arising in the ordinary course of business from claims under Policies or Reinsurance Agreements issued or assumed, as the case may be, by one of its Insurance Entities for which adequate claims reserves have been established, there are no claims, suits, actions, proceedings, arbitrations or other proceedings whether judicial, arbitral or administrative, civil or criminal (Legal Proceedings) pending or, to its knowledge, threatened, against it or any of its subsidiaries, any present or former officer, director or employee thereof in his or her capacity as such or any person for whom it or its subsidiaries may be liable or any of their respective properties, that, if determined or resolved adversely against it, would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, nor are there any writs, judgments, decrees, injunctions, rules or orders of any Governmental Entity or arbitrator binding upon it or any of its subsidiaries or any of their respective assets or properties that would be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. To its knowledge, since January 1, 2007, there have been no formal or informal SEC inquiries, investigations or subpoenas, other Governmental Entity inquiries or investigations or internal investigations or material whistle-blower complaints pending or otherwise threatened involving it or its subsidiaries or any current or former officer or director thereof in his or her capacity as such, other than, in each case, those that if determined or resolved adversely against it would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

3.7 Taxes.

(a) All material Tax Returns (as defined in Section 8.13(a)) required by applicable Law to be filed with any Taxing Authority (as defined in Section 8.13(a)) by, or on behalf of, it or any of its subsidiaries have been filed when due (taking into account extensions of time to file) in accordance with all applicable Laws, and all such Tax Returns are true, correct and complete in all material respects. All such Tax Returns have been examined by the appropriate Taxing Authority or the period for assessment of the Taxes (as defined in Section 8.13(a)) in respect of which such Tax Returns were required to be filed has expired.

(b) There are no liens for any Taxes upon the assets of it or any of its subsidiaries, other than (i) statutory liens for Taxes not yet due and payable or (ii) liens which are being contested in good faith by appropriate proceedings, for which adequate reserves have been established on its financial statements in accordance with GAAP and Applicable SAP.

(c) It and each of its subsidiaries have paid or have withheld and remitted to the appropriate Taxing Authority all material Taxes due and payable, and have established in accordance with GAAP and Applicable SAP an adequate accrual for all material Taxes not yet due and payable.

(d) There is no claim, audit, action, suit, proceeding, examination or investigation now pending or, to its knowledge, threatened against or with respect to it or any of its subsidiaries in respect of any Tax or Tax Asset (as defined in Section 8.13(a)), and any deficiencies asserted or assessments made as a result of any claim, audit, suit, proceeding, examination or investigation have been paid in full.

(e) It and each of its subsidiaries have withheld all material amounts required to have been withheld by them in connection with amounts paid or owed to (or any benefits or property provided to) any employee,

**Table of Contents**

independent contractor, creditor, shareholder or any other third party; such withheld amounts were either duly paid to the appropriate Taxing Authority or set aside in accounts for such purpose. It and each of its subsidiaries have reported such withheld amounts to the appropriate Taxing Authority and to each such employee, independent contractor, creditor, shareholder or any other third party, as required under Law.

(f) Neither it nor any of its subsidiaries is a party to a Tax allocation, sharing, indemnity or similar agreement (other than indemnities included in ordinary course employment contracts or leases) that will require any payment by it or any of its subsidiaries of any Tax of another person after the Closing Date.

(g) Neither it nor any of its subsidiaries has entered into a reportable transaction within the meaning of Treasury Regulations Section 1.6011-4, and neither it nor any of its subsidiaries has been a material advisor to any such transactions within the meaning of Section 6111 of the Code.

(h) Neither it nor any of its subsidiaries (i) has filed any extension of time within which to file any Tax Returns that have not been filed, (ii) has entered into any agreement or other arrangement waiving or extending the statute of limitations or the period of assessment or collection of any material Taxes, (iii) has granted any power of attorney that is in force with respect to any matters relating to any material Taxes, (iv) has applied for a ruling from a Taxing Authority relating to any material Taxes that has not been granted or has proposed to enter into an agreement with a Taxing Authority that is pending, or (v) has entered into any closing agreement as described in Section 7121 of the Code (or any similar provision of state, local or foreign Tax Law) or been issued any private letter rulings, technical advance memoranda or similar agreement or rulings by any Taxing Authority.

(i) None of its subsidiaries is now or has ever been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.

(j) Neither it nor any of its subsidiaries has agreed to, requested, or is required to include any adjustment under Section 481 of the Code (or any corresponding provision of applicable Law) by reason of a change in accounting method or otherwise.

(k) Neither it nor any of its subsidiaries has elected to be a pass-through entity for U.S. federal income tax purposes.

(l) Neither it nor any of its subsidiaries organized outside the United States, has ever been engaged in a trade or business in the United States within the meaning of Section 864(b) of the Code or has ever had a permanent establishment in the United States within the meaning of the tax treaty between the United States and Bermuda.

(m) Neither it nor any of its subsidiaries has ever been a member of an affiliated, combined, consolidated or unitary Tax group for purposes of filing any Tax Return.

(n) Neither it nor any of its subsidiaries has been a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code.

(o) It and each of its subsidiaries currently satisfies (assuming the relevant taxable year ended on the date this representation is being given), and expects to satisfy with respect to the taxable year in which the Closing Date falls, either or both of the exceptions described in Sections 953(c)(3)(A) and (B) of the Code so that none of its United States shareholders (within the meaning of Section 953(c) of the Code) will be required to include in income any of its or its subsidiaries related person insurance income (within the meaning of Section 953(c)(2) of the Code) by operation of Sections 951(a) and 953(c)(5) of the Code.

(p) Neither it nor any of its subsidiaries has received any notice or inquiry from any Governmental Entity outside of Bermuda to the effect that any of it or its subsidiaries that are domiciled or formed in Bermuda are subject to any Tax other than excise taxes or any Tax assessed by Bermuda.

(q) Other than as disclosed with respect to Section 3.7(l), Section 3.7(p) or this Section 3.7(q), it and each of its subsidiaries has never been subject to net basis taxation in any country, or been tax resident or tax domiciled in any country, other than the country in which it and each of its subsidiaries, respectively, is organized.

## **Table of Contents**

(r) Neither it nor any of its subsidiaries organized outside the United Kingdom has or has ever had a permanent establishment in the United Kingdom for United Kingdom Tax purposes.

(s) No material transaction or arrangement involving it or any of its subsidiaries has taken place or is in existence which is such that it has resulted, or is reasonably likely to result, in the income, profits or gains of it or of any subsidiary being adjusted for Tax purposes in any jurisdiction in accordance with applicable transfer pricing or thin capitalization laws.

(t) As of the date of this Agreement, neither it nor any of its subsidiaries has taken or agreed to take any action, or is aware of any agreement, plan or circumstance, that, to its knowledge, would reasonably be expected to prevent the Amalgamation from constituting a reorganization, within the meaning of Section 368(a) of the Code.

3.8 Absence of Certain Changes or Events. Since January 1, 2009, (i) there has not been any event, change, circumstance, state of facts or effect, alone or in combination, that has had or would be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect and (ii) it has not taken any action or failed to take any action that would have resulted in a breach in any material respect of Section 4.1 had such section been in effect since January 1, 2009.

### 3.9 Board Approval.

(a) In the case of IPC, the board of directors of IPC, by resolutions duly adopted by unanimous vote at a meeting duly called and held, has (i) determined that the Amalgamation Consideration and the Exchange Ratio constitutes fair value for each IPC Common Share in accordance with the Companies Act and deemed it fair to, advisable to and in the best interests of IPC to enter into this Agreement and to consummate, the Amalgamation and the other transactions contemplated hereby, (ii) adopted this Agreement and the Amalgamation Agreement and authorized and approved the Amalgamation and the other transactions contemplated by this Agreement and (iii) recommended that the shareholders of IPC vote in favor of matters constituting the Required IPC Vote (as defined in Section 3.10(b)) (the IPC Recommendation ) and (iv) determined that the amendments to IPC's by-laws set forth in Exhibit E (the IPC Bye-Law Amendment ) are advisable to and in the best interests of IPC, and directed that such matters be submitted for consideration by IPC shareholders at the IPC Shareholders Meeting (as defined in Section 5.1(c)).

(b) In the case of Validus, the board of directors of Validus, by resolutions duly adopted unanimously, has (i) deemed it fair to, advisable and in the best interests of Validus to enter into this Agreement and to consummate the Share Issuance and the other transactions contemplated hereby, (ii) adopted this Agreement and authorized and approved the Share Issuance, and (iii) recommended that the shareholders of Validus vote in favor of the matters constituting the Required Validus Vote (the Validus Recommendation ) and directed that such matters be submitted for consideration by Validus shareholders at the Validus Shareholders Meeting (as defined in Section 5.1(b)).

(c) In the case of Validus, the board of directors of Amalgamation Sub, by unanimous written consent without a meeting, has (i) determined that this Agreement and the Amalgamation are advisable and in the best interests of Amalgamation Sub and its sole shareholder, (ii) adopted this Agreement and authorized and approved the Amalgamation and (iii) recommended that the sole shareholder of Amalgamation Sub approve such matters. The sole shareholder of Amalgamation Sub has approved this Agreement, the Amalgamation and the other transactions contemplated hereby.

### 3.10 Vote Required.

(a) In the case of Validus, the affirmative vote of a majority of the votes cast at a meeting of the shareholders of Validus at which a quorum is present in accordance with the by-laws of Validus to approve the Share Issuance (the

Required Validus Vote ) is the only vote of the holders of any class or series of Validus capital stock necessary to consummate the transactions contemplated hereby.

(b) In the case of IPC, the affirmative vote of a majority of the votes cast at a meeting of the shareholders of IPC at which a quorum is present in accordance with the bye-laws of IPC, in each case, to approve the IPC Bye-Law Amendment and, assuming approval of the IPC Bye-Law Amendment, adopt this Agreement and



## Table of Contents

approve the Amalgamation (provided, however, if the IPC Bye-Law Amendment is not approved, the affirmative vote of three-fourths of the votes cast at such meeting shall be required to adopt this Agreement and approve the Amalgamation) (the Required IPC Vote and, together with the Required Validus Vote, the Required Shareholder Votes ) is the only vote of the holders of any class or series of IPC share capital necessary to approve this Agreement and consummate the transactions contemplated hereby (including the Amalgamation).

3.11 Agreements with Regulators. Except as required by Insurance Laws of general applicability and the insurance licenses maintained by its Insurance Entities or as does not have and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, there are no written agreements, memoranda of understanding, commitment letters or similar undertakings binding on it or any of its subsidiaries or to which it or any of its subsidiaries is a party, on one hand, and any Governmental Entity is a party or addressee, on the other hand, or any orders or directives by, or supervisory letters or cease-and-desist orders from, any Governmental Entity, nor has it nor any of its subsidiaries adopted any board resolution at the request of any Governmental Entity, in each case specifically with respect to it or any of its subsidiaries, which (a) limit the ability of it or any of its Insurance Entities to issue Policies or enter into Reinsurance Agreements; (b) require any divestiture of any investment of any subsidiary; (c) in any manner relate to the ability of any of its subsidiaries to pay dividends; (d) require any investment of its Insurance Entities to be treated as non-admitted assets (or the local equivalent) or (e) otherwise restrict the conduct of business of it or any subsidiary, nor has it been advised by any Governmental Entity that it is contemplating any such undertakings.

### 3.12 Insurance Matters.

(a) Each of its subsidiaries which by virtue of its operations and activities is required to be licensed as an insurance company, insurance intermediary, Lloyd's corporate member or Lloyd's managing agent (collectively, the Insurance Entities ) is listed in Section 3.12 of its Disclosure Letter, together with the jurisdiction of domicile thereof. None of its Insurance Entities is commercially domiciled in any other jurisdiction or is otherwise treated as domiciled in a jurisdiction other than that of its incorporation. It conducts all of its insurance operations that are required to be conducted through a licensed insurance company or insurance intermediary, through its Insurance Entities, each of which is duly licensed or authorized as an insurance company, and/or, where applicable, a reinsurer, insurance intermediary, Lloyd's corporate member or Lloyd's managing agent, in its jurisdiction of incorporation and each other jurisdiction where it is required to be so licensed or authorized and is duly licensed or authorized in each such jurisdiction for each line of business written therein, except where the failure to so conduct its insurance operations or the failure of its Insurance Entities to be so licensed or authorized has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Since January 1, 2007, each of its Insurance Entities has timely filed or submitted all annual and, to the extent applicable Law requires, quarterly and other periodic statements, together with all exhibits, interrogatories, notes, schedules and any actuarial opinions, affirmations or certifications or other supporting documents in connection therewith, required to be filed with or submitted to the appropriate insurance regulatory authorities of the jurisdiction in which it is domiciled or commercially domiciled on forms prescribed or permitted by such authority (as filed through the date hereof and thereafter, collectively, the Statutory Statements ), except, in each case, as has been cured or resolved to the satisfaction of such insurance regulatory authority without imposition of any material penalty or as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.

It will deliver or make available to the other parties, upon request, within one (1) business day of the termination of the IM Agreement, to the extent permitted by applicable Laws, (i) true and complete copies of all annual Statutory Statements filed with Governmental Entities for each of its Insurance Entities for the periods beginning January 1, 2007 through the date hereof and, once duly and timely filed, thereafter, and the quarterly Statutory Statements for each of its Insurance Entities for the quarterly periods ended September 30, 2008 through the date hereof and, once

duly and timely filed, thereafter, each in the form (including exhibits, annexes and any amendments thereto) filed with the applicable insurance regulatory authority and (ii) true and

**Table of Contents**

complete copies of all examination reports (and has notified the other party of any pending examinations) of any insurance regulatory authorities received by it on or after January 1, 2007 through the date hereof relating to its Insurance Entities. Financial statements included in its Statutory Statements were prepared in conformity with Applicable SAP, consistently applied for the periods covered thereby, were prepared in accordance with the books and records of the applicable Insurance Entity, and present fairly in all material respects the statutory financial position of the relevant Insurance Entity as of the respective dates thereof and the results of operations, cash flows, and changes in capital and surplus (or stockholders' equity, as applicable) of such Insurance Entity for the respective periods then ended. Its Statutory Statements complied in all material respects with all applicable Laws when filed or submitted and no material violation or deficiency has been asserted in writing by any Governmental Entity with respect to any of its Statutory Statements that have not been cured or otherwise resolved to the satisfaction of such Governmental Entity. The statutory balance sheets and income statements included in its annual Statutory Statements have been audited by its independent auditors, and it has delivered or made available to the other party true and complete copies of all audit opinions related thereto for periods beginning January 1, 2007 through the date hereof. Except as is indicated therein, all assets that are reflected on its subsidiaries' Statutory Statements comply in all material respects with all applicable Insurance Laws regulating the investments of Insurance Entities and all applicable Insurance Laws with respect to admitted assets and are in amount at least equal to the minimum amount required by applicable Insurance Laws. The financial statements included in its Statutory Statement accurately reflect in all material respects the extent to which, pursuant to applicable Laws and Applicable SAP, the applicable Insurance Entity is entitled to take credit for reinsurance (or any local equivalent concept).

(c) The loss reserves and other actuarial amounts of each of its Insurance Entities contained in its Statutory Statements: (i) were determined in accordance with generally accepted actuarial standards and principles and other qualitative methods materially consistently applied (except as otherwise noted in such financial statements), (ii) complied in all material respects with applicable Laws and were computed on the basis of methodologies materially consistent with those used in computing the corresponding reserves in the prior fiscal years, except as otherwise noted in the financial statements and notes thereto included in such Statutory Statements, and (iii) include provisions for all actuarial reserves and related items which are required to be established in accordance with applicable Law. To its knowledge, no facts or circumstances exist which would necessitate any material increase in the statutorily required reserves above those reflected in the most recent balance sheet included in the Statutory Statements.

(d) Within one (1) business day of the termination of the IM Agreement, it will, upon request, make available to the other party true and complete copies of all actuarial reports used as the basis for establishing the reserves for each of its subsidiary Insurance Entities from and after January 1, 2007, and all material attachments, addenda, supplements and modifications thereto. To its knowledge, any information and data to be furnished by it or any of its subsidiaries to independent actuaries in connection with the preparation of such actuarial reports will be accurate in all material respects. To its knowledge, such actuarial reports will have been based upon an accurate inventory of Policies and Reinsurance Agreements in force for it and its subsidiaries, as the case may be, at the relevant time of preparation and will have been prepared in conformity in all material respects with generally accepted actuarial principles and other qualitative methods in effect at such time (except as may be noted therein) and the projections contained therein will have been properly prepared in accordance with the assumptions stated therein.

(e) As of the date of this Agreement, all reinsurance or retrocession treaties or agreements, slips, binders, cover notes or other similar arrangements to which it or any of its subsidiaries is a party or under which it or any of its subsidiaries has any existing rights, obligations or liabilities (the Reinsurance Agreements) are, and after the consummation of the transactions contemplated hereby will continue to be, valid and binding obligations of it and its subsidiaries (to the extent they are parties thereto or bound thereby) and, to its knowledge, each other party thereto, in accordance with their terms and are in full force and effect, and it and each of its subsidiaries (to the extent they are party thereto or bound thereby) and, to its knowledge, each other party thereto has performed in all material respects all obligations required to be performed by it under each Reinsurance Agreement, except as has not had and would not reasonably be

expected to have, individually or in the aggregate, a Material Adverse Effect. Neither it nor any of its subsidiaries has received

**Table of Contents**

notice, nor does it have knowledge, of any violation or default in respect of any obligation under (or any condition which, with the passage of time or the giving of notice or both, would result in such a violation or default), or any intention to cancel, terminate or change the scope of rights and obligations under, or not to renew, any Reinsurance Agreement, except, in each case, as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Since January 1, 2007, (i) neither it nor its subsidiaries have received any written notice from any party to a Reinsurance Agreement that any amount of reinsurance ceded by it or such subsidiary to such counterparty will be uncollectible or otherwise defaulted upon, (ii) to its knowledge, no party to a Reinsurance Agreement under which it or its subsidiary is the cedent is insolvent or the subject of a rehabilitation, liquidation, conservatorship, receivership, bankruptcy or similar proceeding, (iii) to its knowledge, the financial condition of any party to a Reinsurance Agreement under which it or its subsidiary is the cedent is not impaired to the extent that a default thereunder is reasonably anticipated, (iv) there are no disputes under any Reinsurance Agreement other than disputes in the ordinary course for which adequate loss reserves have been established and (v) its relevant subsidiary is entitled under any applicable Law and Applicable SAP to take full credit in its Statutory Statements for all amounts recoverable by it pursuant to any Reinsurance Agreement under which it is the cedent and all such amounts recoverable have been properly recorded in its books and records of account (if so accounted therefor) and are properly reflected in its Statutory Statements, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(f) Except as has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect, with respect to any Reinsurance Agreement for which the ceding insurer party thereto is taking credit on its most recent Statutory Statements, to its knowledge, from and after January 1, 2007 (i) there has been no separate written or oral agreement between such ceding insurer and the assuming reinsurer that would under any circumstances reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under any such Reinsurance Agreement, other than inuring contracts that are explicitly defined in any such Reinsurance Agreement, (ii) for each such Reinsurance Agreement entered into, renewed or amended on or after January 1, 2007, for which risk transfer is not reasonably considered to be self-evident to the extent required by any applicable provisions of SSAP No. 62, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment is available for review by the relevant Governmental Entities for each of it and its subsidiaries, (iii) its subsidiary that is a party thereto, and to its knowledge, any other party thereto, complies and has complied from and after January 1, 2007 with any applicable requirements set forth in SSAP No. 62, and (iv) such Insurance Entity has and had since January 1, 2007 appropriate controls in place to monitor the use of reinsurance and comply with the provisions of SSAP No. 62.

(g) All policies, policy forms, binders, slips, treaties, certificates, insurance or reinsurance contracts or participation agreements and other agreements of insurance or reinsurance, whether individual or group (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) and all amendments, applications, brochures, illustrations and certificates pertaining thereto (the Policies ), in effect as of the date of this Agreement, that are issued by it or its subsidiaries and any and all marketing materials have been, to the extent required under applicable Law, filed with or submitted to and not objected to by such Governmental Entity within the period provided for objection, and such Policies and marketing materials comply with the Insurance Laws applicable thereto and have been administered in accordance therewith, except as has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. All premium rates established by it or its subsidiaries that are required to be filed with or submitted to or approved by Governmental Entities have been so filed, submitted or approved, the premiums charged conform thereto and such premiums comply with the Insurance Laws applicable thereto, except as has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(h) To its knowledge, each insurance agent, general agent, agency, producer, broker, reinsurance intermediary, program manager, managing general agent and managing general underwriter currently selling, issuing or

underwriting business for or on behalf of it or its subsidiaries (including it and its subsidiaries salaried employees)  
(each, an Agent ) was duly licensed for the type of activity and business conducted or

**Table of Contents**

written, sold, produced, underwritten or managed. To its knowledge, each program manager, managing general agent, third party administrator or claims adjuster or manager, at the time such person managed or administered business (including without limitation the administration, handling or adjusting of claims) for or on behalf of it or its subsidiaries (each, an Administrator ) was duly licensed for the type of activity conducted. To its knowledge, no Agent or Administrator has materially violated or is currently in violation in any material respect of any term or provision of any Law applicable to the writing, sale, production, underwriting or administration of business for it or its subsidiaries, except for such failures or such violations which have been cured, that have been resolved or settled through agreements with applicable Governmental Entities or that are barred by an applicable statute of limitations. Each Agent was appointed and compensated by it or its subsidiaries in compliance in all material respects with applicable Law and all processes and procedures used in making inquiries with respect of such Agent were undertaken in compliance in all material respects with applicable Law. No Agent has binding authority on behalf of it or its subsidiaries. As of the date of this Agreement, no Agent accounting individually for 1% or more of the total gross premiums of all of its Insurance Entities for the year ended December 31, 2008 has indicated to it or its subsidiaries in writing or, to its knowledge, orally that such Agent will be unable or unwilling to continue its relationship as an Agent with it or its subsidiary within twelve months after the date hereof.

(i) Each of its Insurance Entities has duly and timely filed all reports or other filings required to be filed with any insurance regulatory authority in the manner prescribed therefor under applicable Laws and Permits and no Governmental Entity has asserted any deficiency or violation with respect thereto, except as has been cured or resolved to the satisfaction of the Government Entity or except, in each case, as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Without limiting the foregoing, each of its and its subsidiaries' submissions, reports or other filings under applicable insurance holding company statutes or other applicable Insurance Laws with respect to contracts, agreements, arrangements and transactions between or among Insurance Entities and their affiliates, and all contracts, agreements, arrangements and transactions in effect between any subsidiary that is an Insurance Entity and any affiliate are in compliance with the requirements of all applicable insurance holding company statutes or other such Insurance Laws and all required approvals or deemed approvals of insurance regulatory authorities with respect thereto have been received or obtained, except as has not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(j) Copies (which are complete and correct in all material respects) of all analyses, reports and other data prepared by or on behalf of any of its Insurance Entities or submitted by or on behalf of any such Insurance Entity to any insurance regulatory authority relating to risk based capital calculations or Insurance Regulatory Information Systems ratios will provide to the other party, upon request, within one (1) business day of the termination of the IM Agreement.

(k) Except for regular periodic assessments in the ordinary course of business, there are no material unpaid claims and assessments against it or its subsidiaries, whether or not due, by any insurance guaranty association (in connection with that association's fund relating to insolvent insurers), joint underwriting association, residual market facility or assigned risk pool. No such material claim or assessment is pending and neither it nor any subsidiary has received written notice of any such material claim or assessment against it or its subsidiaries by any insurance guaranty association, joint underwriting association, residual market facility or assigned risk pool.

(l) Since July 2, 2007, Validus and/or any of its subsidiaries which participate in Lloyd's: (i) has not participated on any Lloyd's syndicate other than syndicate 1183; (ii) has not agreed to sell, transfer or drop any of its rights to participate in a Lloyd's syndicate or offered to acquire rights to participate on a Lloyd's syndicated; (iii) has complied with the franchise standards (including principles and minimum standards, guidance and advice) issued by Lloyd's and (iv) all documents relating to the participation of it or any of its subsidiaries' participation at Lloyd's are in Lloyd's standard form and have not been amended in any way, including the standard managing agent's agreement, in each case, except as had not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.





**Table of Contents**

(m) Since July 2, 2007: (i) all funds held on behalf of Lloyd's syndicate 1183 are held in accordance with the terms of the relevant premiums trust deed or other deposit arrangement as required by the bye-laws, regulations, codes of practice and mandatory directions and requirements governing the conduct and management of underwriting business at Lloyd's from time to time and the provisions of any deed, agreement or undertaking executed, made or given for compliance with Lloyd's requirements from time to time ( Lloyd's Regulations ) and (ii) Validus and/or any of its subsidiaries required to do so have complied in all material respects with all relevant regulations, directions, notices and requirements in relation to the maintenance of Funds at Lloyd's (as defined in the Lloyd's Membership Byelaw (No. 5 of 2005)) in accordance with Lloyd's Regulations and any directions imposed on it or any of its subsidiaries by Lloyd's.

**3.13 Investments: Derivatives.**

(a) The information provided by each party to the SEC in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, related to its investment assets, including, without limitation, bonds, notes, debentures, mortgage loans, real estate, collateral loans, derivatives (including swaps, swaptions, caps, floors, foreign exchange, and options or forward agreements) and all other instruments of indebtedness, stocks, partnership or joint venture interests and all other equity interests, certificates issued by or interests in trusts, alternative investments and direct or indirect investments in hedge funds, whether entered into for its own or its subsidiaries or their customers' accounts (such investment assets, together with all investment assets held between such date and the Closing Date are referred to herein as the Investment Assets ) is true and complete in all material respects as of December 31, 2008.

(b) As of the date of this Agreement, to its knowledge, none of the Investment Assets is in default in the payment of principal or interest or dividends.

(c) As of the date of this Agreement, to its knowledge, the Investment Assets comply in all material respects with, and the acquisition thereof complied in all material respects with, any and all investment restrictions under applicable Law and its Investment Policy (as hereinafter defined). Except for Investment Assets sold in the ordinary course of business consistent with past practice or as contemplated by this Agreement, each of it and its subsidiaries, as applicable, has good and marketable title to all of the Investment Assets it purports to own, free and clear of all encumbrances except Permitted Encumbrances (as defined in Section 8.13(a)). Upon request, it will provide a copy of its and its subsidiaries' policies with respect to the investment of the Investment Assets (its Investment Policy ) to the other party within one (1) business day of the termination of the IM Agreement.

(d) To its knowledge, none of its Investment Assets is subject to any capital calls or similar liabilities, or any restrictions or suspensions on redemptions, lock-ups, gates, side-pockets, stepped-up fee provisions or other penalties or restrictions relating to withdrawals or redemptions, except as would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(e) Each agreement with each investment manager or investment advisor providing services to it or any of its subsidiaries was entered into, and the performance of each investment manager is evaluated, in a commercially reasonable, arm's length manner.

(f) Neither it nor any of its subsidiaries holds any derivative instruments, including swaps, swaptions, caps, floors, foreign exchange and option or forward agreements, whether entered into for its account, or for the account of any of its subsidiaries or their customers.

**3.14 Material Contracts: Intercompany Contracts.**

(a) As of the date of this Agreement, neither it nor any of its subsidiaries is a party to or bound by any contract (other than any Policy or Reinsurance Agreement) (i) that is or will be required to be filed by it as a material contract pursuant to Item 601(b)(10) of Regulation S-K of the SEC that is not already so filed; (ii) that limits or purports to limit in any material respect either the type of business in which it or any of its subsidiaries (or, after giving effect to the Amalgamation, Validus or any of its subsidiaries) may engage or the manner or locations in which any of them may so engage in any business; (iii) that creates a partnership, joint venture, strategic alliance or similar arrangement with respect to any of its or its subsidiaries' material business

**Table of Contents**

or assets; (iv) that is an indenture, credit agreement, loan agreement, security agreement, guarantee, note, mortgage or other agreement providing for or guaranteeing indebtedness in excess of \$5,000,000; (v) that, individually or together with related contracts, provides for any acquisition, disposition, lease, license or use after the date of this Agreement of assets, services, rights or properties with a value or requiring annual fees in excess of \$5,000,000 or that comprise more than 15% of its business on a consolidated basis; (vi) that is a collective bargaining agreement; (vii) that involves or could reasonably be expected to involve aggregate payments by or to it and/or its subsidiaries in excess of \$5,000,000 in any twelve month period, except for any contract that may be cancelled without penalty or termination payments by it or its subsidiaries upon notice of 60 days or less; (viii) that includes an indemnification obligation of it or any of its subsidiaries with a maximum potential liability in excess of \$5,000,000; (ix) that is an investment advisory or investment management agreement or arrangement to which it or any of its subsidiaries is a party or under which any Investment Asset is invested or managed or any third party has the right or power to make discretionary or investment decisions with respect to any Investment Asset or (x) that would or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede its ability to consummate the transactions contemplated by this Agreement or Validus and its subsidiaries ability to own and/or to conduct the businesses after the Closing. Each such contract described in clauses (i)-(x) is referred to herein as a Material Contract.

(b) Each Material Contract is, and after the consummation of the transactions contemplated by this Agreement will continue to be, a valid and binding obligation of it and its subsidiaries (to the extent they are parties thereto or bound thereby) enforceable against it and, to its knowledge, each other party thereto, in accordance with its terms and is in full force and effect, and it and each of its subsidiaries (to the extent they are party thereto or bound thereby) and, to its knowledge, each other party thereto has performed in all material respects all obligations required to be performed by it under each Material Contract, except where such failure to be valid and binding or such non-performance has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. Neither it nor any of its subsidiaries has received written notice, nor does it have knowledge, of any material violation or default in respect of any material obligation under (or any condition which with the passage of time or the giving of notice or both would result in such a violation or default), or any intention to cancel, terminate, change the scope of rights and obligations under or not to renew, any Material Contract.

(c) Validus Annual Report filed with the SEC on Form 10-K for the year ended December 31, 2008, sets forth all contracts, agreements, notes, leases, licenses and other instruments between Validus and any of its affiliates or between two or more affiliates of Validus. Section 3.14(c) of IPC's Disclosure Letter sets forth all contracts, agreements, notes, leases, licenses and other instruments between IPC and any of its affiliates or between two or more affiliates of IPC. Each Validus intercompany agreement or IPC intercompany agreement, as the case may be, to which any Insurance Entity is a party has been duly approved by each Governmental Entity whose approval is required therefor, except where the failure to obtain such approval has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

### 3.15 Employee Benefits and Executive Compensation.

(a) It has disclosed its Compensation and Benefits Plans in Section 3.15(a) of its Disclosure Letter and it will deliver or make available, to the extent requested, to the other party within one (1) business day of the termination of the IM Agreement correct and complete copies of, (i) each of its material Compensation and Benefit Plans (as defined in Section 8.13(a)), (ii) each applicable trust agreement or other funding arrangement for each such Compensation and Benefit Plan (including insurance contracts), and all amendments thereto, (iii) with respect to any such Compensation and Benefit Plan that is intended to be tax-qualified or tax-preferred under applicable Law, any applicable determination letter issued by the U.S. Internal Revenue Service and any other applicable determination document issued by any equivalent non-U.S. taxing or regulatory authority, in each case, confirming the tax-qualified or tax-preferred status of such Compensation and Benefit Plan, (iv) annual reports or returns, audited or unaudited

financial statements, actuarial valuations and reports, and summary annual reports or other reports prepared for any Compensation and Benefit Plan with respect to the two most recently completed plan years, and (v) the most recent summary plan description for any Compensation and Benefit Plan and summary of any material modifications thereto.

**Table of Contents**

(b) Each of its Compensation and Benefit Plans is in compliance with applicable Laws in all material respects and has been administered in all material respects in accordance with its terms. There are no actions, suits, investigations or claims pending, or to its knowledge, threatened or anticipated (other than routine claims for benefits) relating to any Compensation and Benefit Plan.

(c) Neither it nor any of its subsidiaries has any obligations for retiree health and retiree life benefits under any Compensation and Benefit Plan other than with respect to benefit coverage mandated by applicable Law. There has been no amendment to, announcement by it or any of its subsidiaries relating to, or change in employee participation in coverage under, any Compensation and Benefit Plan which would materially increase the expense of maintaining such plan above the level of the expense incurred therefor for the most recent fiscal year.

(d) None of the execution and delivery of this Agreement, the shareholder approval of the transactions contemplated hereby, the termination of the employment of any of its or its subsidiaries employees within a specified time of the Effective Time or the consummation of the transactions contemplated hereby will (i) result in any payment (including severance, golden parachute, or otherwise), whether or not in conjunction with a termination of employment, becoming due to any director or any employee of it or any of its subsidiaries from it or any of its subsidiaries under any Compensation and Benefit Plan or otherwise, other than by operation of Law, (ii) increase any benefits otherwise payable under any Compensation and Benefit Plan, (iii) result in any acceleration of the time of payment or vesting of any such benefit or funding (through a grantor trust or otherwise) of any such payment or benefit, (iv) limit or restrict the right of it to merge, amend or terminate any Compensation and Benefit Plan or any related trust, (v) cause a trust for any Compensation and Benefit Plan to be required to be funded, or (vi) result in payments under any Compensation and Benefit Plan which would not be deductible under Section 280G of the Code or any equivalent non-U.S. tax Law.

(e) Each of its Compensation and Benefit Plans that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the U.S. Internal Revenue Service and nothing has occurred that could reasonably be expected to cause the loss of such qualification. Neither it nor any of its subsidiaries has engaged in a transaction with respect to any Compensation and Benefit Plan that would subject it or any of its subsidiaries to a Tax or penalty imposed by either Section 4975 of the Code or Section 502(i) of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). Neither it nor any of its subsidiaries (i) has an obligation to contribute (as defined in ERISA Section 4212) nor have they ever had an obligation to contribute to a multiemployer plan (as defined in ERISA Sections 4001(a)(3) and 3(37)(A)) or (ii) maintains or contributes to, or has, within six years preceding the date of this Agreement, maintained or contributed to, an employee pension benefit plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Section 412 of the Code.

3.16 Labor Relations and Other Employment Matters.

(a) None of its or its subsidiaries employees are represented by any union with respect to their employment by it or its subsidiaries, and no labor organization or group of employees of it or any of its subsidiaries has made a pending demand for recognition or certification to it or any of its subsidiaries and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to its knowledge, threatened to be brought or filed with any labor relations tribunal or authority. Since January 1, 2007, neither it nor any of its subsidiaries has experienced any material labor disputes, union organization attempts or work stoppages, slowdowns or lockouts due to labor disagreements.

(b) (i) No unfair labor practice charges, grievances or complaints are pending or, to its knowledge, threatened against it or any of its subsidiaries, (ii) no employee of it at the officer level or above has given written notice to it or any of its subsidiaries that any such employee intends to terminate his or her employment with it or any of its subsidiaries, (iii) to its knowledge, no employee or former employee of it or any of its subsidiaries is in any respect in violation of

any term of any employment contract, nondisclosure agreement (including any agreement relating to trade secrets or proprietary information) or non-competition agreement with it or any of its subsidiaries, and (iv) it and its subsidiaries have materially complied with all

**Table of Contents**

applicable Laws, contracts, policies, plans and programs relating to employment, employment practices, compensation, benefits, hours, terms and conditions of employment and the termination of employment.

(c) Each of its employees has all work permits, immigration permits, visas or other authorizations required by Law for such employee given the duties and nature of such employee's employment and Section 3.16(c) of its Disclosure Letter sets forth a true and complete list of such work permits, immigration permits, visas or other authorizations currently held by its employees.

**3.17 Intellectual Property**

(a) It and each of its subsidiaries has sufficient rights to use all of the Intellectual Property used in its and each of its subsidiaries' respective businesses as presently conducted and as proposed to be conducted, all of which rights shall survive unchanged the consummation of the transactions contemplated by this Agreement. The Intellectual Property owned by it or its subsidiaries is (i) owned free and clear of any claim, lien or encumbrance (other than Permitted Encumbrances), and (ii) valid and subsisting, and is not subject to any outstanding order, judgment or decree adversely affecting its or its subsidiaries' use thereof, or rights thereto.

(b) Section 3.17 of its Disclosure Letter, which, with respect to Validus, shall be provided within one (1) business day of the termination of the IM Agreement, sets forth a true list of (i) all registered trademarks and service marks, all trademark and service mark applications, and all domain names owned by it and/or its subsidiaries, (ii) all registered copyrights and copyright applications owned by it and/or its subsidiaries, and (iii) all patents and patent applications owned by it and/or its subsidiaries.

(c) Any underwriting model it has created or uses in its business that, among other things, assesses policy risk and premium (each an Underwriting Model) is based, in all material respects, on information that is confidential and/or proprietary to it (other than third-party vendor model information contained therein). It owns exclusively, free and clear of any claim, lien or encumbrance (other than Permitted Encumbrances), all of the proprietary information (including all Intellectual Property rights) upon which each Underwriting Model is based.

(d) All of the rights in the Intellectual Property created by its or any of its subsidiaries' employees during the course of their employment, including any software developed to use the Underwriting Model, have been validly and irrevocably assigned to it.

(e) It and each of its subsidiaries has taken all reasonable measures to protect the confidentiality of all Trade Secrets (as hereinafter defined) that are owned, used or held by it or each of its subsidiaries, and to its knowledge, such Trade Secrets have not been used, disclosed to or discovered by any person except pursuant to valid and appropriate non-disclosure agreements which have not been breached.

(f) To its knowledge, neither it nor any of its subsidiaries has infringed, misappropriated or otherwise violated the Intellectual Property rights of any third party during the five (5) year period immediately preceding the date of this Agreement. There is no litigation, opposition, cancellation, proceeding, reexamination, objection or claim pending, asserted or, to its knowledge, threatened against it or any of its subsidiaries concerning the ownership, validity, registerability, enforceability, infringement or use of, or licensed right to use, any Intellectual Property. To its knowledge, no valid basis exists for any such litigation, opposition, cancellation, proceeding, objection or claim. To its knowledge, no person is infringing, misappropriating or otherwise violating any of its or its subsidiaries' rights in any Intellectual Property.

(g) It and its subsidiaries has each complied in all material respects with (i) all applicable Laws, rules and regulations regarding data protection and the privacy and security of personal information, and (ii) their respective privacy

policies or commitments to their customers and consumers.

3.18 Properties. Neither it nor any of its subsidiaries owns any real property. It or one of its subsidiaries has (a) a valid leasehold or sublease interest or other comparable contract right in the real property that it or any of its subsidiaries leases, subleases or otherwise occupies without owning and (b) good, valid and marketable title to, or has a valid leasehold, sublease interest or other comparable contract right in, the other tangible assets and properties necessary to the conduct of the business as currently conducted, except (i) as



**Table of Contents**

have been disposed of in the ordinary course of business, in each case free and clear of all encumbrances except for Permitted Encumbrances, or (ii) as has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. It and its subsidiaries have complied in all material respects with the terms of all such leases, and to its knowledge, all such leases are in full force and effect.

3.19 Brokers or Finders. Other than, in the case of IPC, J.P. Morgan Securities Inc. (JP Morgan) and, in the case of Validus, Greenhill & Co., LLC (Greenhill), no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any broker's or finder's fee or any other similar commission or fee in connection with any of the transactions contemplated by this Agreement based upon arrangements made by or on behalf of it or any of its subsidiaries. Prior to the date of execution of this Agreement by IPC, IPC has provided a true and complete copy of its engagement letter with its financial advisor to Validus.

3.20 Investment Advisor. Neither it nor any of its subsidiaries conducts activities of or is required to be registered as an investment advisor as such term is defined in Section 2(a)(2) of the Investment Company Act of 1940. Neither it nor any of its subsidiaries is required to be registered as an investment company as defined under the Investment Company Act of 1940.

3.21 Opinion of Financial Advisor.

(a) In the case of IPC, the board of directors of IPC has received the opinion of its financial advisor, JP Morgan, dated the date of execution of this Agreement by all parties, to the effect that, as of such date, the Amalgamation Consideration to be paid by Validus to the shareholders of IPC pursuant to Section 2.1(a) is fair, from a financial point of view, to the holders of IPC Common Shares (other than Validus and its subsidiaries).

(b) In the case of Validus, the board of directors of Validus has received the opinion of its financial advisor, Greenhill, dated as of March 31, 2009, to the effect that, as of such date, the Exchange Ratio is fair, from a financial point of view, to Validus.

3.22 Takeover Laws. To its knowledge as of the date of this Agreement, no fair price, moratorium, control share acquisition, interested shareholder or other anti-takeover statute or regulation would reasonably be expected to restrict or prohibit this Agreement, the Amalgamation or the other transactions contemplated hereby by reason of it being a party to this Agreement, performing its obligations hereunder and consummating the Amalgamation and the other transactions contemplated hereby.

ARTICLE IV

COVENANTS RELATING TO CONDUCT OF BUSINESS

4.1 Covenants of Validus and IPC. During the period from the date of this Agreement and continuing until the Effective Time, Validus and IPC agree as to themselves and their respective subsidiaries that, except as expressly contemplated or permitted by this Agreement, as required by applicable Law, as set forth in Section 4.1 of the Validus Disclosure Letter (in the case of Validus) or Section 4.1 of the IPC Disclosure Letter, including the supplement thereto attached as Exhibit F hereto (in the case of IPC) or to the extent that IPC (in the case of Validus) or Validus (in the case of IPC) shall otherwise consent in writing, that it and its subsidiaries shall carry on their respective businesses in the usual, regular and ordinary course of business consistent with past practice (including, for the avoidance of doubt, adhering to any operating guidelines and policies, whether or not written) and use commercially reasonable efforts to preserve intact their present business organizations, maintain their Permits and preserve their relationships with employees, investment advisers and managers, customers, policyholders, reinsureds, retrocedents, regulators, Agents, Administrators, lenders and financing providers and others having business dealings with them. Without limiting the

generality of the foregoing, except as expressly required by applicable Law or as set forth in Section 4.1 of the Validus Disclosure Letter (in the case of Validus) or Section 4.1 of the IPC Disclosure Letter (in the case of IPC),

**Table of Contents**

Validus and IPC shall not, and shall not permit any of their respective subsidiaries, except as expressly noted in a subsection or clause that it is solely applicable to IPC and its subsidiaries, to:

(a) (i) declare or pay, or propose to declare or pay, any dividends on or make other distributions in respect of any of its share capital (whether in cash, shares or property or any combination thereof), except for (A) dividends paid by a direct or indirect wholly-owned subsidiary to it or its subsidiaries and (B) subject to Section 5.14, ordinary course quarterly dividends on its common shares with record and payment dates consistent with past practice; provided that any such dividend shall be at a rate no greater than the rate paid by it during the fiscal quarter immediately preceding the date of Agreement, (ii) split, combine or reclassify, or propose to split, combine or reclassify, any of its share capital, or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of or in substitution for, shares of its share capital, or (iii) in the case of IPC and its subsidiaries, repurchase, redeem or otherwise acquire, propose to repurchase, redeem or otherwise acquire, any shares of its (or any of its subsidiaries ) share capital or any securities convertible into or exercisable for any shares of its (or any of its subsidiaries ) share capital, other than repurchases, redemptions or acquisitions by a wholly-owned subsidiary of share capital or such other securities, as the case may be, of another of its wholly-owned subsidiaries;

(b) issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its (or any of its subsidiaries ) share capital of any class, any Voting Debt, any share appreciation rights or any securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any such shares or Voting Debt, or enter into any agreement with respect to any of the foregoing (it being understood that no such issuance, delivery or sale shall result in a net credit to either party s Book Value Estimate made in connection with Section 5.16), other than (i) the issuance of common shares required to be issued upon the exercise or settlement of share options or other equity related awards outstanding on the date hereof under the Validus Share Plans the IPC Share Plans, as the case may be, as in effect on the date hereof, (ii) issuances by a wholly-owned subsidiary of share capital or capital stock, as the case may be, to it or another of its wholly-owned subsidiary and (iii) the issuance of Validus Common Shares in connection with the consummation of this Agreement;

(c) amend or propose to amend its memorandum of association or bye-laws or equivalent organizational documents of any of its subsidiaries (except in accordance with the IPC Bye-Law Amendment) and shall not waive any requirement thereof;

(d) (i) other than in connection with transactions related to its Investment Assets entered into in accordance with its Investment Policy or after obtaining the written consent of the other parties hereto (which consent shall not be unreasonably withheld or delayed), acquire or agree to acquire, by amalgamating, merging or consolidating with, by purchasing a substantial equity interest in or a substantial portion of the assets of, by forming a partnership or joint venture with, or by any other manner, any corporation, partnership, association or other business organization or division thereof, or any material assets, rights or properties (it being understood that no such acquisition shall result in a net credit to either party s Book Value Estimate made in connection with Section 5.16) or (ii) other than in connection with transactions related to its Investment Assets entered into in accordance with its Investment Policy or that results in the creation or incurrence of a Permitted Encumbrance, sell, lease, assign, transfer, license, encumber, abandon or otherwise dispose of, or agree to sell, lease, assign, transfer, license, encumber, abandon or otherwise dispose of, any of its assets, product lines, businesses, rights or properties (including capital stock of its subsidiaries and indebtedness of others held by it and its subsidiaries);

(e) other than any Validus Benefit Plan, as applicable, other than any IPC Benefit Plan, as applicable (which is subject to paragraph (k) below) or as contemplated by Section 6.3(f): amend, modify or terminate any Material Contract, or cancel, modify or waive any debts or claims held by it under, or waive any rights in connection with, any Material Contract, or enter into any contract or other agreement of any type, whether written or oral, that would have been a Material Contract had it been entered into prior to this Agreement;



**Table of Contents**

(f) do or permit any of its subsidiaries, investments managers or advisers, or Agents or Administrators to do any of the following: (i) fail to comply with the Investment Policy, or amend, modify or otherwise change the Investment Policy in any material respect, except as may be required by (or, in its reasonable good faith judgment, advisable under) GAAP, Applicable SAP or any Governmental Entity or applicable Laws, (ii) enter into, purchase, sell, amend or modify any derivative other than in the ordinary course of business consistent with past practice and its Investment Policy or (iii) voluntarily forfeit, abandon, modify, waive, terminate or otherwise change any of its material Permits;

(g) take any action with the actual knowledge and intent that it would result in any of the conditions to the Amalgamation set forth in ARTICLE VI not being satisfied or take any action that would materially adversely affect the ability of the parties to obtain any of the Requisite Regulatory Approvals (as defined in Section 6.1(c)) without imposition of a condition or restriction of the type referred to in Section 6.2(d) or Section 6.3(d), as the case may be);

(h) (i) except as disclosed in any of its SEC Documents filed prior to the date of this Agreement, change its methods of accounting in effect at December 31, 2008, except as required by changes in applicable Laws, GAAP or Applicable SAP as concurred to by its independent auditors, (ii) make, change or revoke any material Tax election, file any amended Tax Return, settle any Tax claim, audit, action, suit, proceeding, examination or investigation or change its method of tax accounting (except, with respect to any amended Tax Return or any change in tax accounting method, as required by changes in applicable Law (or any Taxing Authority's interpretation thereof)), in each case, if such action would have the effect of increasing any of its Tax liabilities by an amount that is material or (iii) alter or amend in any material respect its Investment Policy or any existing underwriting, claim handling, loss control, investment, actuarial or financial reporting practices, methods, guidelines or policies or any material assumption underlying an actuarial policy or practice (including compliance policies), except as may be required by (or, in its reasonable good faith judgment, advisable under) GAAP, Applicable SAP or any Governmental Entity or applicable Laws;

(i) adopt any plan of complete or partial liquidation or dissolution, restructuring, recapitalization or reorganization;

(j) settle or compromise any Legal Proceedings other than settlements or compromises of Legal Proceedings (i) where the amount paid (less the amount reserved for such matters by it in the latest audited balance sheet included in its SEC Documents and any insurance coverage applicable thereto) in settlement or compromise, in each case, does not exceed \$1,000,000 and such settlement or compromise only involves monetary relief or (ii) arising from ordinary course claims for insurance under contracts of insurance or reinsurance issued by one of its subsidiaries;

(k) with respect to IPC and its subsidiaries only, (i) enter into, adopt, amend or terminate any IPC Benefit Plan, as the case may be, or any other employee benefit plan or any agreement, arrangement, plan or policy between it or one of its subsidiaries and one or more of its employees, directors or officers other than as required by this Agreement or in the ordinary course of business consistent with past practice, (ii) except as required by any IPC Benefit Plan, as the case may be, as in effect as of the date hereof, increase in any manner the compensation or fringe benefits of any director, officer, employee, independent contractor or consultant or pay any benefit not required by any IPC Benefit Plan, as the case may be, as in effect as of the date hereof or enter into any contract, agreement, commitment or arrangement to do any of the foregoing, except for normal payments, awards and increases to employees who are not directors or officers in the ordinary course of business consistent with past practice, or (iii) enter into or renew any contract, agreement, commitment or arrangement (other than a renewal occurring in accordance with the terms of a IPC Benefit Plan, as the case may be) providing for the payment to any director, officer, employee, independent contractor or consultant of compensation or benefits contingent, or the terms of which are materially altered, upon the occurrence of any of the transactions contemplated by this Agreement;

(l) incur, create or assume any indebtedness for borrowed money (or modify any of the material terms of any such outstanding indebtedness), including by way of an intercompany loan to it, guarantee



**Table of Contents**

any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of it or any of its subsidiaries or guarantee any debt securities of others, other than (i) in replacement of existing or maturing debt, (ii) in connection with amending existing indebtedness agreements in connection with the Amalgamation and the other transactions contemplated hereby, (iii) in the ordinary course of the insurance or reinsurance business and (iv) draw-downs pursuant to existing credit facilities and letters of credit;

(m) grant, extend, amend, waive or modify any material rights in or to, nor sell, assign, lease, transfer, license, let lapse, abandon, cancel or otherwise dispose of, any material Intellectual Property rights; or

(n) agree to, or make any commitment to, take, or authorize, any of the actions prohibited by this Section 4.1.

4.2 Financing.

(a) In the event that the parties mutually determine that it is desirable to obtain new, or amend or obtain waivers under any of their existing, credit facilities or other existing financing arrangements ( Financing ) in connection with the Amalgamation and the other transactions contemplated hereby, then the parties shall, and shall cause each of their respective subsidiaries to, use commercially reasonable efforts to cooperate with each other and to cause their respective directors, officers, employees, agents and representatives to cooperate in connection with the arrangement of such Financing, including with respect to the giving (effective as of the Effective Time) of any mutually acceptable guarantees required by the lenders in connection therewith; provided that (i) such requested cooperation does not unreasonably interfere with the ongoing operations of a party and its subsidiaries prior to the Effective Time, (ii) no party or any of its subsidiaries shall be required to incur any liability under the Financing prior to the Effective Time unless contingent upon the occurrence of the Closing and not material to Validus and its subsidiaries (after giving effect to the Amalgamation), and (iii) IPC and Validus shall be responsible for their respective costs and expenses incurred in connection with such cooperation. For the avoidance of doubt no failure of any party to obtain Financing shall be deemed to be a failure of any condition set forth in Article VI of this Agreement, except as specifically provided by Section 6.3(f) of this Agreement.

4.3 Bermuda Required Actions. Prior to the Closing, (a) IPC shall (i) procure that the statutory declaration required by Section 108(3) of the Companies Act is duly sworn by one of its officers; (ii) prepare a duly certified copy of the IPC shareholder resolutions evidencing the Required IPC Vote and deliver such documents to Validus; and (b) Amalgamation Sub shall (and Validus, as the sole shareholder of Amalgamation Sub shall cause Amalgamation Sub to) (i) procure that the statutory declarations required by Section 108(3) of the Companies Act is duly sworn by one of Amalgamation Sub's officers; (ii) prepare a duly certified copy of the shareholder resolutions evidencing the approval of Validus, as the sole shareholder of the Amalgamation Sub, of the Amalgamation; and (iii) prepare a notice advising the Registrar of the registered office of the Amalgamated Company.

ARTICLE V

ADDITIONAL AGREEMENTS

5.1 Preparation of Proxy Statements; Shareholders Meetings.

(a) At IPC's option, after consultation with Validus, IPC may elect to combine the IPC Shareholders Meeting with IPC's 2009 annual general meeting, and at Validus's option, after consultation with IPC, Validus may elect to combine the Validus Shareholders Meeting with Validus's 2009 annual general meeting. As promptly as reasonably practicable following the date hereof, IPC and Validus shall cooperate in preparing and each shall cause to be filed with the SEC mutually acceptable proxy materials which shall constitute the proxy statement/prospectus relating to the matters to be submitted to the shareholders of Validus at the Validus Shareholders Meeting and to the IPC shareholders at the IPC

Shareholders Meeting and, subject to the first sentence of this paragraph (a), such other matters as IPC and Validus elect to submit to their respective



**Table of Contents**

shareholders in the ordinary course consistent with past practice in connection with their respective annual general meetings, including the election of directors, the receipt of audited financial statements, the appointment of an auditor and the transaction of such other further business, if any, as may lawfully be brought before the meeting (such proxy statement/prospectus, proxy and any amendments or supplements thereto, the Joint Proxy Statement/Prospectus ), and Validus shall prepare, together with IPC, and file with the SEC a registration statement on Form S-4 (of which the Joint Proxy Statement/Prospectus shall be a part) with respect to the issuance of Validus Common Shares in the Amalgamation (such Form S-4, and any amendments or supplements thereto, the Form S-4 ). Each of IPC and Validus shall take all actions reasonably necessary to prepare and file the Joint Proxy Statement/Prospectus and the Form S-4 no later than 30 days following the date of execution of this Agreement by all parties. In addition, each of IPC and Validus shall:

(i) use commercially reasonable efforts to have the Joint Proxy Statement/Prospectus cleared by the SEC and the Form S-4 declared effective by the SEC, to keep the Form S-4 effective as long as is necessary to consummate the Amalgamation and the other transactions contemplated hereby, and to mail the Joint Proxy Statement/Prospectus to their respective shareholders as promptly as practicable after the Form S-4 is declared effective. IPC and Validus shall, on the same day of receipt thereof (and if not possible, as promptly as practicable after receipt thereof), provide the other party with copies of any written comments and advise the other party of any oral comments with respect to the Joint Proxy Statement/Prospectus or Form S-4 received from the SEC;

(ii) cooperate and provide the other party with a reasonable opportunity to review and comment on any amendment or supplement to the Joint Proxy Statement/Prospectus and the Form S-4 prior to filing such with the SEC, and each party will provide the other party with a copy of all such filings made with the SEC. None of the information supplied or to be supplied by Validus or IPC for inclusion or incorporation by reference in the (A) Form S-4 will, at the time the Form S-4 is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (B) Joint Proxy Statement/Prospectus will, at the date of mailing to shareholders and at the times of the meetings of shareholders to be held in connection with the Amalgamation, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that, in each case of (A) and (B), neither party shall be responsible or liable for any statements made or incorporated by reference therein based on information supplied by the other party for inclusion or incorporation by reference therein;

(iii) cause the Joint Proxy Statement/Prospectus and the Form S-4 to comply as to form in all material respects with the requirements of the Exchange Act and the Securities Act, as the case may be, and the rules and regulations of the SEC thereunder, except that no representation or warranty shall be made by either such party with respect to statements made or incorporated by reference therein based on information supplied by the other party for inclusion or incorporation by reference in the Joint Proxy Statement/Prospectus or Form S-4. IPC and Validus shall make any necessary filings with respect to the Amalgamation under the Securities Act and the Exchange Act and the rules and regulations thereunder;

(iv) use commercially reasonable efforts to take any action required to be taken under any applicable securities Laws in connection with the Amalgamation and each party shall furnish all information concerning it and the holders of its capital stock as may be reasonably requested in connection with any such action;

(v) advise the other party, promptly after it receives notice thereof, of the time when the Form S-4 has become effective, the issuance of any stop order, the suspension of the qualification of the Validus Common Shares issuable in connection with the Amalgamation for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Joint Proxy Statement/Prospectus or the Form S-4; and

(vi) promptly notify the other party if at any time prior to the Effective Time it discovers any information relating to either of the parties, or their respective affiliates, officers or directors, which

**Table of Contents**

should be set forth in an amendment or supplement to any of the Form S-4 or the Joint Proxy Statement/Prospectus so that such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and disseminated to the shareholders of Validus and IPC, to the extent required by Law.

(b) Validus shall take all action necessary to call, give notice of, convene and hold a meeting of its shareholders as promptly as practicable, and in any event within 45 days, following the date upon which the Form S-4 becomes effective (the Validus Shareholders Meeting ) for the purpose of obtaining the Required Validus Vote, provided that the Validus Shareholders Meeting shall not be held prior to the third business day immediately following the last day on which the holders of IPC Common Shares can require appraisal of their IPC Common Shares pursuant to the Companies Act. Subject to Section 5.4, (i) Validus shall use commercially reasonable efforts to solicit and secure the Required Validus Vote in accordance with applicable legal requirements and (ii) the board of directors of Validus shall include the Validus Recommendation in the Joint Proxy Statement/Prospectus.

(c) IPC shall take all action necessary to call, give notice of, convene and hold a meeting of its shareholders as promptly as practicable, and in any event within 45 days, following the date upon which the Form S-4 becomes effective (the IPC Shareholders Meeting ) for the purpose of obtaining the Required IPC Vote, provided that the IPC Shareholders Meeting shall not be held prior to the third business day immediately following the last day on which the holders of IPC Common Shares can require appraisal of their IPC Common Shares pursuant to the Companies Act. Subject to Section 5.4, (i) IPC shall use commercially reasonable efforts to solicit and secure the Required IPC Vote in accordance with applicable legal requirements and (ii) the board of directors of IPC shall include the IPC Recommendation in the Joint Proxy Statement/Prospectus.

(d) Validus and IPC shall coordinate and each shall use its commercially reasonable efforts to cause the Validus Shareholders Meeting and the IPC Shareholders Meeting to be held on the same date.

(e) Validus and IPC may determine, after consultation with each other, that each of them shall file separate proxy statements rather than a joint proxy statement, in which case each of the references in this Agreement to the Joint Proxy Statement/Prospectus shall include each party's separate proxy statement.

**5.2 Access to Information; Confidentiality.**

(a) Upon reasonable notice, each of Validus and IPC shall (and shall cause each of its subsidiaries to) (i) afford to the officers, employees, accountants, counsel, financial advisors and other representatives of the other party, access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, records and officers and (ii) during such period, make available all other information concerning its business, properties and personnel, in each case, as such other party may reasonably request. Notwithstanding anything in this Section 5.2 or Section 5.3 to the contrary, neither party nor any of its subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would jeopardize any legally recognized privilege applicable to such information or violate or contravene any applicable Laws or binding agreement entered into prior to the date of this Agreement (including any Laws relating to privacy). The parties will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply, including adopting additional specific procedures to protect the confidentiality of certain sensitive material and to ensure compliance with applicable Law, and, if necessary, restricting review of certain sensitive material to the receiving party's financial advisors or outside legal counsel. No information or knowledge obtained in any investigation pursuant to this Section 5.2 shall affect or be deemed to modify any representation or warranty made by any party hereunder.

(b) The parties will hold any such information in confidence and neither of the parties nor any of their respective affiliates, directors, officers, employees, advisors, agents or other representatives (including, without limitation, attorneys, accountants, consultants, bankers and financial advisors) (collectively, Representatives ) will disclose any of the information in any manner whatsoever; provided, however, that (i) any of such

**Table of Contents**

information may be disclosed to Representatives who need to know such information for the sole purpose of assisting the parties in effecting the Amalgamation (it being understood that such Representatives shall be informed by the party hereto that they represent of your obligations under this Section 5.2(b) and shall be required by you to comply with all such obligations)), (ii) any of such information may be disclosed as required by applicable law or the rules of a national securities exchange and (iii) any other disclosure of such information may be made only with the other party's prior written consent. Each party hereto agrees to be responsible for any breach of this Section 5.2(b) by any of its Representatives and, at its sole expense, to take all commercially reasonable measures (including, but not limited to, court proceedings) to restrain its Representatives from breaching this Section 5.2(b).

**5.3 Commercially Reasonable Efforts.**

(a) Subject to the terms and conditions of this Agreement, each party will cooperate and consult with the other party with respect to, and will use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under this Agreement and applicable Laws to consummate the Amalgamation and the other transactions contemplated by this Agreement as promptly as practicable after the date hereof, including preparing and filing as promptly as practicable all documentation to effect all necessary applications, notices, filings and other documents and to obtain as promptly as practicable all Requisite Regulatory Approvals and all other consents, waivers, licenses, registrations, orders, approvals, permits, rulings, requests, authorizations and clearances necessary or advisable to be obtained from any third party or any Governmental Entity in order to consummate the Amalgamation or any of the other transactions contemplated by this Agreement.

(b) In furtherance and not in limitation of Section 5.3(a), to the extent permissible under applicable Laws, each party shall, in connection with the above referenced efforts to obtain all Requisite Regulatory Approvals and any other requisite approvals, clearances and authorizations for the transactions contemplated hereby under applicable Laws or any approval of a Governmental Entity, use its commercially reasonable efforts to (i) supply as promptly as practicable any additional information and documentary material that may be requested pursuant to applicable Laws or by any Governmental Entity and to use commercially reasonable efforts to cause the expiration or termination of the applicable waiting periods and the receipt of all such consents, waivers, licenses, registrations, orders, approvals, permits, rulings, requests, authorizations and clearances under applicable Laws or from such Governmental Entities as soon as practicable, (ii) cooperate in all respects with the other party in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by any private party, (iii) keep the other party apprised of the status of matters relating to completion of the transactions contemplated hereby and promptly inform the other party of (and upon reasonable request provide copies of) any communication received by such party from, or given by such party to, any Governmental Entity and of any material communication received or given in connection with any proceeding by any private party, in each case regarding any other transactions contemplated hereby, (iv) permit the other parties, or the other parties' legal counsel, to review prior to its submission any communication given by it to any Governmental Entity or, in connection with any proceeding by any private party, with any other person, (v) consult with the other party in advance of any meeting, conference, conference call, discussion or communication with, any such Governmental Entity or, in connection with any proceeding by any private party, with any other person and (vi) to the extent permitted by such Governmental Entity or other person, give the other party the opportunity to attend and participate in such meetings, conferences, conference calls, discussions and communications.

(c) Notwithstanding the foregoing or anything in this Agreement to the contrary, none of IPC (and its subsidiaries) or Validus (and its subsidiaries) may, without the prior written consent of the other party, (i) consent to, take or agree or commit to take, any action for the purpose of obtaining the Requisite Regulatory Approvals or (ii) consent to or agree to any restriction or limitation for the purpose of obtaining the Requisite Regulatory Approvals (including with respect to divesting, selling, licensing, transferring, holding separate or otherwise disposing of any business or assets or conducting its (or its subsidiaries') business in any specified manner), in each case, which would be effective prior to

the Effective Time or which would, after the Effective Time, not be immaterial to Validus and its subsidiaries taken together (after giving effect to the Amalgamation).

**Table of Contents**

(d) In connection with and without limiting the foregoing, Validus and IPC shall (i) take all reasonable actions necessary to ensure that no takeover statute or similar statute or regulation is or becomes applicable to the Amalgamation, this Agreement, or any of the other transactions contemplated by this Agreement and (ii) if any takeover statute or similar statute or regulation becomes applicable to the Amalgamation, this Agreement, or any other transaction contemplated by this Agreement, use their respective commercially reasonable efforts to ensure that the Amalgamation and the other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such statute or regulation on the Amalgamation and the other transactions contemplated by this Agreement.

(e) Subject to receipt of the Required IPC Vote, IPC shall take such actions as are necessary to amend its bye-laws to reflect the IPC Bye-Law Amendment.

5.4 No Change in Recommendation.

(a) The board of directors of Validus shall not withhold, withdraw, qualify or modify (including by amendment or supplement to the Joint Proxy Statement/Prospectus), in any manner adverse to IPC, the Validus Recommendation, or publicly propose to, or publicly announce that its board of directors has resolved to take any such action (any of the foregoing, with respect to the Validus Recommendation, a Change in Validus Recommendation ). The board of directors of IPC shall not withhold, withdraw, qualify or modify (including by amendment or supplement to the Joint Proxy Statement/Prospectus), in any manner adverse to Validus, the IPC Recommendation, or publicly propose to, or publicly announce that its board of directors has resolved to take any such action (any of the foregoing, with respect to the IPC Recommendation, a Change in IPC Recommendation ).

(b) Notwithstanding anything in this Agreement to the contrary, at any time prior to obtaining the Required Validus Vote, in the case of Validus, or the Required IPC Vote, in the case of IPC, the board of directors of Validus or IPC, as the case may be, may withhold, withdraw, qualify or modify (or publicly announce that its board of directors has resolved to take any such action) the Validus Recommendation, in the case of Validus, or the IPC Recommendation, in the case of IPC, other than, with respect to IPC only, in connection with an Acquisition Proposal (as defined in Section 5.5(a)) (for the avoidance of doubt, the conditions under which IPC may make a Change of IPC Recommendation as a result of an Acquisition Proposal are as set forth in Section 5.5), if the board of directors of Validus or IPC, as the case may be, after consultation with its outside counsel and financial advisors, concludes in good faith that such action is reasonably likely to be required in order for the relevant directors to comply with such directors' fiduciary duties under applicable Law; provided that no Change in Validus Recommendation or Change in IPC Recommendation, as the case may be, may be made unless the party seeking to make such Change in Validus Recommendation or Change in IPC Recommendation, as the case may be, (i) has not breached in any material respect its obligations under this Section 5.4, and (ii) has provided a written notice to the other party advising it of its intention to make a Change in Validus Recommendation or a Change in IPC Recommendation, as the case may be, and such other party does not, within five business days following its receipt of such notice, agree to make adjustments in the terms and conditions of this Agreement which obviate the need for the Change in Validus Recommendation or the Change in IPC Recommendation, as the case may be, as determined in good faith by the board of directors of Validus or IPC, as the case may be, after consultation with its outside legal counsel and financial advisors (provided that, during such five business day period, the party seeking to make such Change in Validus Recommendation or Change in IPC Recommendation, as the case may be, shall, and shall cause its outside legal counsel and its financial advisors to, negotiate in good faith with the other party (to the extent the other party desires to negotiate) with respect to any proposed adjustments to the terms and conditions of this Agreement). Notwithstanding the foregoing, nothing contained herein shall be deemed to relieve either of Validus or IPC of its obligation(s) under Section 5.1 to submit matters to obtain the Required Validus Vote at the Validus Shareholders Meeting or the Required IPC Vote at the IPC Shareholders Meeting, as the case may be; provided, however, that if the board of directors of Validus (in the case of a Change in Validus Recommendation) or IPC (in the case of a Change in IPC Recommendation) shall have effected a

Change in Validus Recommendation or a Change in IPC Recommendation, as the case may be, then in submitting such matters to the applicable shareholders meeting, the applicable board of



**Table of Contents**

directors may submit such matters without recommendation, in which event the applicable board of directors shall communicate the basis for its lack of a recommendation to the applicable shareholders in the Joint Proxy Statement/Prospectus or an appropriate amendment or supplement thereto to the extent it determines after consultation with its legal counsel, that such action is compelled by applicable Law.

5.5 Acquisition Proposals.

(a) IPC agrees that neither it nor any of its subsidiaries nor any of the officers and directors of it or its subsidiaries shall, and that it shall cause (and use commercially reasonable efforts to instruct) its and its subsidiaries employees, agents, representatives and advisors (including any investment banker, attorney or accountant retained by it or any of its subsidiaries) not to, directly or indirectly:

(i) initiate, solicit, encourage or facilitate (including by providing information) any effort or attempt to make or implement any proposal or offer with respect to, or a transaction to effect, an amalgamation, merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving it or any of its subsidiaries or any purchase or sale of 10% or more of the consolidated assets (including, without limitation, stock of its subsidiaries) of it and its subsidiaries, taken as a whole, or any purchase or sale of, or tender or exchange offer for, its voting securities that, if consummated, would result in any person (or the shareholders of such person) beneficially owning securities representing 10% or more of its total voting power (or of the surviving Validus entity in such transaction) or the voting power of any of its subsidiaries (any such proposal, offer or transaction (other than a proposal or offer made by Validus) being hereinafter referred to as an Acquisition Proposal );

(ii) have, participate or otherwise engage in any discussions or negotiations with or provide any confidential information or data to any person relating to an Acquisition Proposal;

(iii) approve or recommend, or propose to approve or recommend, any Acquisition Proposal or submit to the vote of its shareholders any Acquisition Proposal prior to the termination of this Agreement; or

(iv) approve or recommend, or propose to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, merger agreement, amalgamation agreement, asset purchase or share exchange agreement, option agreement or other similar agreement related to any Acquisition Proposal.

(b) IPC agrees that (i) it shall, and shall cause its subsidiaries and its and their respective officers, directors, employees, agents, representatives and advisors to, cease immediately and terminate any and all existing activities, discussions or negotiations with any third parties conducted heretofore with respect to any Acquisition Proposal, and (ii) it shall not release any third party from, or waive any provisions of, any confidentiality or standstill agreement to which it or any of its subsidiaries is a party with respect to any Acquisition Proposal. IPC agrees that it shall use its commercially reasonable efforts to promptly inform its and its subsidiaries respective directors, officers, employees, agents, representatives and advisors of the obligations undertaken in this Section 5.5.

(c) IPC shall promptly notify Validus of any (i) Acquisition Proposal, (ii) request for information that could reasonably be expected to be related to an Acquisition Proposal received by it, any of its subsidiaries or any of their respective directors, officers, employees, agents, representatives or advisors (including any investment bankers, attorneys or accountants), and (iii) request that could reasonably be expected to be related to an Acquisition Proposal for discussions with or negotiations by, it, any of its subsidiaries or any of their respective directors, officers, employees, agents, representatives or advisors (including any investment bankers, attorneys or accountants), indicating, in connection with such notice, the identity of the person making such Acquisition Proposal or request and the material terms and conditions thereof (including a copy thereof and any related available documentation and correspondence), and in any event IPC shall provide written notice to Validus of any Acquisition Proposal, request for

information or request for such discussions or negotiations within 24 hours of such event. IPC will (A) inform the person making such Acquisition Proposal, request for information or request for discussions or negotiations of its obligations under this Agreement and (B) keep Validus reasonably informed on a reasonably current basis of the terms of any such Acquisition Proposal or

**Table of Contents**

request for information or request for discussions or negotiations (including whether such Acquisition Proposal or request for information or request for discussions or negotiations is withdrawn and any material change to the terms thereof).

(d) Notwithstanding anything in this Agreement to the contrary, if, at any time prior to obtaining the Required IPC Vote, in the case of IPC (after the expiration of the Notice Period (as hereinafter defined)), the board of directors of IPC concludes that an unsolicited bona fide written Acquisition Proposal that did not result from a breach of this Section 5.5 could be reasonably likely to constitute a Superior Proposal (after giving effect to all the adjustments to this Agreement which may be offered by Validus prior to or during the Notice Period), the board of directors of IPC may make a Change in IPC Recommendation; provided that the board of directors of IPC may not make a Change in IPC Recommendation unless (i) IPC has provided a written notice to Validus (a Notice of Superior Proposal ) advising Validus that it has received an Acquisition Proposal that could be reasonably likely to constitute a Superior Proposal and specifying the identity of the person making such Acquisition Proposal and the material terms thereof (including a copy thereof and any related available documentation and correspondence) and (ii) Validus does not, within five business days following its receipt of the Notice of Superior Proposal (the Notice Period ), make an offer that, as determined in good faith by the board of directors of IPC after consultation with its outside legal counsel and financial advisors, results in the applicable Acquisition Proposal no longer being a Superior Proposal (provided that, during the Notice Period, IPC shall, and shall cause its outside legal counsel and its financial advisors to, negotiate in good faith with Validus (to the extent Validus desires to negotiate) with respect to such proposal). The parties understand and agree that to comply with this Section 5.5(d) any revisions to the terms of such Superior Proposal which, individually or in the aggregate would be material when considering such Superior Proposal in its totality, shall require IPC to deliver to Validus a new Notice of Superior Proposal and the commencement of a new Notice Period.

(e) Nothing contained in this Section 5.5 shall prohibit IPC, from (i) complying with Rule 14d-9 or 14e-2 promulgated under the Exchange Act to the extent applicable with regard to an Acquisition Proposal (provided that, in the case of an Acquisition Proposal made by way of a tender offer or exchange offer, any failure by IPC or its board of directors to recommend that the shareholders of IPC reject such offer within the time period specified in Rule 14e-2(a) shall be deemed to be a Change in IPC Recommendation), or making any legally required disclosure to its shareholders with regard to an Acquisition Proposal (provided that any disclosure (other than a stop, look and listen or similar communication of the type contemplated by Rule 14d-9(f) under the Exchange Act) made pursuant to Rule 14d-9 or 14e-2(a) shall be deemed to be a Change in IPC Recommendation unless the board of directors of IPC expressly reaffirms its recommendation to its shareholders in favor of approval of this Agreement and the transactions contemplated hereby) or (ii) informing any person of the existence of the provisions contained in this Section 5.5.

(f) Superior Proposal means a bona fide unsolicited written Acquisition Proposal from any person (other than Validus or its subsidiaries) that did not result from a breach by IPC of this Section 5.5, which the board of directors of IPC concludes in good faith, after consultation with its outside legal counsel and its financial advisors, taking into account the legal, financial, regulatory, timing and other aspects of the Acquisition Proposal and the person making the Acquisition Proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation) is in the long-term best interests of IPC including its shareholders, employees, communities and other stakeholders, taking into account the long-term strategic prospects and other benefits of the transactions contemplated by this Agreement, and (i) is more favorable to IPC, its shareholders and other constituencies than the transactions contemplated by this Agreement (after giving effect to all adjustments to this Agreement which may be offered by Validus under Section 5.5(d) in response to such Acquisition Proposal), (ii) is fully financed or reasonably capable of being fully financed, reasonably likely to receive all required governmental approvals and otherwise reasonably capable of being completed on the terms proposed and (iii) that could be reasonably likely to require the board of directors of IPC to make a Change in IPC Recommendation in order to comply with its directors' fiduciary duties under applicable Law; provided that, for purposes of this definition of Superior Proposal, the term Acquisition Proposal shall have the meaning assigned to such term in Section 5.5(a)(i), except that the reference to 10% or more

of its voting power or the voting power of any of its subsidiaries in the definition of Acquisition

## Table of Contents

Proposal shall be deemed to be a reference to 50% or more of its total voting power or the voting power of any of its subsidiaries and the reference to 10% or more of the consolidated assets in the definition of Acquisition Proposal shall be deemed to be a reference to all or substantially all of the consolidated assets.

5.6 Section 16 Matters. Prior to the Effective Time, each of Validus and IPC shall use its commercially reasonable efforts to cause to be exempt under Rule 16b-3 promulgated under the Exchange Act any dispositions of IPC Common Shares or acquisitions of Validus Common Shares (including, in each case, derivative securities) resulting from the transactions contemplated hereby by each director or officer of IPC who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to IPC.

5.7 Fees and Expenses. Whether or not the Amalgamation is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense, except as otherwise provided herein, and except that expenses incurred in connection with filing, printing and mailing the Joint Proxy Statement/Prospectus and the Form S-4 shall be shared equally by IPC and Validus.

5.8 Indemnification: Directors and Officers Insurance.

(a) From and after the Effective Time, Validus shall cause the Amalgamated Company to, to the fullest extent permitted by applicable Law (and, in the case of former officers and directors, to the extent permitted by the bye-laws of IPC and the Amalgamated Company prior to the Closing), indemnify, defend and hold harmless, and provide advancement of expenses to, each person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time, a director or officer of IPC (the Indemnified Parties) against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director or officer of IPC or any of its respective subsidiaries, and pertaining to any matter existing or occurring, or any acts or omissions occurring, at or prior to the Effective Time, whether asserted or claimed prior to, at or after, the Effective Time (including matters, acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby) to the same extent such persons are indemnified or have the right to advancement of expenses as of the date of this Agreement by IPC or any of its respective subsidiaries pursuant to the relevant entity's memorandum of association, bye-laws and indemnification agreements and resolutions, if any, in existence on the date hereof.

(b) For a period of six years after the Effective Time, Validus shall purchase as of the Effective Time, a tail policy to the existing directors and officers liability insurance maintained by IPC with respect to claims arising from facts or events which occurred at or before the Effective Time, and which tail policy shall contain substantially the same coverage and amounts as, and contain terms and conditions no less advantageous than the coverage provided by the existing policy of IPC as of the date of this Agreement; provided, however, that in no event shall Validus be required to expend for the entire tail policy, in excess of 350% of the annual premium currently provided by IPC for its existing policy of directors and officers liability insurance; and provided further that, if the premium of such insurance coverage exceeds such amount, Validus shall be obliged to obtain a policy with the greatest coverage available for a cost not to exceed such amount. At the request of Validus, IPC shall cooperate with Validus to obtain such a tail policy effective as of the Effective Time.

(c) In the event that Validus or the Amalgamated Company or any of its successors or assigns (i) consolidates or amalgamates with or merges into any other person and is not the continuing or surviving corporation or entity of such consolidation or amalgamation or (ii) transfers or conveys all or substantially all of its properties and assets to any person (including by dissolution), then, and in each such case, Validus shall cause proper provision to be made so that the successors and assigns of Validus or the Amalgamated Company assume and honor the obligations set forth in this Section 5.8.

(d) [Reserved].

(e) The provisions of this Section 5.8: (i) are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and legal representatives and (ii) are in addition to, and not in

**Table of Contents**

substitution for, any other rights to indemnification or contribution that any such person may have by contract or otherwise.

5.9 Public Announcements. The press release to be issued after the execution of this Agreement by all parties regarding the Amalgamation shall be a joint press release and thereafter each of Validus and IPC shall, except as may be required by applicable Law or by obligations pursuant to any listing agreement with or rules of NASDAQ or the NYSE, as applicable, or by request of any Governmental Entity, consult with the other party before issuing any press release or otherwise making any public statement with respect to this Agreement or the transactions contemplated hereby; provided, however, that this consultation obligation shall not apply to any press release or other public statement relating to any actual or contemplated litigation between the parties to this Agreement.

5.10 Additional Agreements. In case any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Amalgamated Company with full title to all properties, assets, rights, approvals, permits, authorizations, immunities and franchises of IPC and its subsidiaries, the parties shall use commercially reasonable efforts to cause their respective officers and directors to take all such necessary action.

5.11 Shareholder Litigation. IPC shall give Validus the reasonable opportunity to participate in the defense of any shareholder litigation against IPC or its directors or officers relating to this Agreement and the transactions contemplated hereby.

5.12 Employee Benefits.

(a) [Reserved].

(b) As of the Closing Date, Validus shall, or shall cause one of its subsidiaries to, continue to employ each person employed by Validus or IPC or any of their respective subsidiaries as of the Closing Date (such employees, collectively, the Employees ). Except as expressly provided below, nothing contained herein shall restrict Validus in the future in the exercise of its independent, good-faith business judgment as to the terms and conditions under which such employment shall continue, the duration of such employment, the basis on which such employment is terminated or the benefits provided to any Employee.

(c) For a period of not less than one year following the Closing Date, Validus shall (or shall cause its subsidiaries to) make available to the Employees that immediately prior to the Closing were employed by IPC, employee benefits and compensation opportunities (including salary, wages and bonus opportunity) substantially comparable in the aggregate to the employee benefits and compensation opportunities in effect for IPC employees immediately prior to the Closing.

(d) Validus and its subsidiaries shall ensure that any Compensation and Benefit Plan in which the Employees are eligible to participate after the Closing Date shall take into account for purposes of eligibility and vesting thereunder, except for purposes of qualifying for subsidized early retirement benefits or to the extent it would result in a duplication of benefits, service by the Employees with IPC and any of its subsidiaries prior to the Closing Date, to the same extent such service was credited prior to the Closing Date under a comparable Compensation and Benefit Plan of IPC.

(e) From and after the Closing Date, Validus shall honor all IPC Benefit Plans, in accordance with their terms as in effect immediately before the Closing Date; provided that nothing herein shall limit the right of Validus to amend or terminate any such plan in accordance with its terms.

(f) Notwithstanding the foregoing, nothing herein shall (i) be treated as an amendment of any Compensation and Benefit Plan or (ii) give any third party any right to enforce the provisions of this Section 5.12.

5.13 Listing and Delisting; Reservation for Issuance. Validus shall use its commercially reasonable efforts to cause all the following shares to be approved for listing and quotation on the NYSE, subject to official notice of issuance, no later than the Closing Date: (i) all Validus NYSE, subject to official notice of issuance, no later than the Closing Date: (i) all Validus Common Shares to be issued in the Amalgamation to IPC shareholders and (ii) all Validus Common Shares to be reserved for issuance upon exercise or vesting of the



## **Table of Contents**

IPC Share Options or IPC Other Awards (collectively, the Listed Validus Common Shares ). Validus shall take all action necessary to reserve for issuance, prior to the Closing Date, any Listed Validus Common Shares that, by their terms and in accordance with this Agreement, will not be issued until after the Effective Time. Validus shall use its commercially reasonable efforts to cause the IPC Common Shares to no longer be listed or quoted on NASDAQ and to be deregistered under the Exchange Act as soon as practicable following the Effective Time.

5.14 Dividends. IPC and Validus shall coordinate the declaration, setting of record dates and payment dates of dividends of IPC Common Shares and Validus Common Shares so that holders of IPC Common Shares do not receive dividends on both IPC Common Shares and the Validus Common Shares received in the Amalgamation in respect of any calendar quarter or fail to receive a dividend on either the IPC Common Shares or the Validus Common Shares received in the Amalgamation in respect of any calendar quarter. For the avoidance of doubt, the purpose of this Section 5.14 is to ensure that the holders of the Validus Common Shares and IPC Common Shares each receive the same number of quarterly dividends after execution of this Agreement and prior to the Effective Time with respect to such shares.

### 5.15 Tax Treatment.

(a) The parties intend the Amalgamation to qualify as a reorganization within the meaning of Section 368(a) of the Code and to obtain the opinions described in Sections 6.2(e) and 6.3(e) of this Agreement. Each of IPC, Amalgamation Sub and Validus and each of their respective affiliates shall use commercially reasonable efforts to cause the Amalgamation to so qualify and to obtain such opinions, and unless otherwise required by applicable Law or by any other provision of this Agreement, shall not take any actions, or cause any actions to be taken, which would reasonably be expected to cause the Amalgamation to fail so to qualify or the opinions to fail to be delivered.

(b) Validus shall cause (i) Amalgamation Sub to file with the United States Internal Revenue Service a properly completed Form 8832, so as to elect to be treated as a disregarded entity for U.S. federal tax purposes effective at least one day prior to the Closing Date, and (ii) the Amalgamated Company to file, after the Closing Date, with the United States Internal Revenue Service a properly completed Form 8832, so as to cause it to be treated for U.S. federal tax purposes as a disregarded entity effective as of the Closing Date.

### 5.16 Book Value Calculations.

(a) On the first business day after the date of its shareholder meeting held pursuant to Section 5.1, unless this Agreement is earlier terminated pursuant to Section 7.1, either Validus or IPC (the Requesting Party ) may request, by providing notice in writing delivered to the other party (the Non-Requesting Party ), that the Non-Requesting Party prepare an estimate of the Non-Requesting Party's book value as of the date that is one (1) business day prior to such shareholder meeting (such date, the Measurement Date, and such estimate of book value, a Book Value Estimate ).

(b) If a Requesting Party makes a request pursuant to Section 5.16(a), then both the Requesting Party and the Non-Requesting Party shall each promptly, and in any event within five (5) calendar days, prepare Book Value Estimates and provide such Book Value Estimates, together with reasonable supporting analysis, to each other. If the Requesting Party fails to provide such Book Value Estimate within such five (5) calendar day period, then the Requesting Party shall have no further rights under this Section 5.16 or Sections 7.1(h) or 7.1(i), as the case may be. For the avoidance of doubt, the parties hereby agree that, if either party requests a Book Value Estimate, the Closing Date shall not occur until the agreements and covenants set forth in this Section 5.16 have been satisfied or waived.

(c) From and after the time that the Book Value Estimates have both been delivered, each party shall have five (5) calendar days to review the other party's Book Value Estimate and supporting analysis and such other information as the party may reasonably request in connection with its review of the other party's Book Value Estimate. The parties

understand and agree that no reserve development occurring from and after the Measurement Date shall increase or reduce either party's Book Value Estimate.

**Table of Contents**

(d) If either party's Book Value Estimate indicates that such party has experienced a decline in book value of more than 50% from December 31, 2008 to the Measurement Date (a 50% Book Value Decline), then the other party shall have the right to terminate this Agreement pursuant to and in accordance with Section 7.1(h) or Section 7.1(i), as appropriate.

(e) If the parties' Book Value Estimates indicate that the percentage decline in either party's book value from December 31, 2008 to the Measurement Date is more than 20 percentage points greater than the percentage decline of the other party's book value from December 31, 2008 to the Measurement Date (a 20% Differential Book Value Decline), then the party with the lesser decline in book value over such period shall have the right to terminate this Agreement pursuant to and in accordance with Section 7.1(h) or Section 7.1(i), as appropriate; provided that, for purposes of measuring the 20% Differential Book Value Decline, if any, the book value of any party that has experienced an increase in book value from December 31, 2008 to the Measurement Date shall be deemed to have experienced no change in its book value.

(f) If, after complying with this Section 5.16, neither party has experienced a 50% Book Value Decline or a 20% Differential Book Value Decline, then (i) in accordance with the terms this Agreement, each party shall cooperate and consult with the other party with respect to, and will use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under this Agreement and applicable Laws to consummate the Amalgamation and the other transactions contemplated by this Agreement as promptly as practicable and (ii) if all other conditions to Closing set forth in Article VI (excluding conditions that, by their terms, are to be satisfied on the Closing Date) have been satisfied or waived as of the third business day after the condition in Section 6.1(a) was satisfied, then notwithstanding the provisions of Section 6.2(a) or Section 6.3(a) (as the case may be) or any other provision of this Agreement, no representations or warranties of the Non-Requesting Party set forth in this Agreement need be true and correct as of any date after the third business day after the date on which the condition in Section 6.1(a) was satisfied and any certificate of the Non-Requesting Party delivered pursuant to Section 6.2(c) or Section 6.3(c) (as the case may be) shall reflect the foregoing.

ARTICLE VI

CONDITIONS PRECEDENT

6.1 Conditions to Each Party's Obligation to Effect the Amalgamation. The respective obligation of each party to effect the Amalgamation shall be subject to the satisfaction prior to the Closing of the following conditions, unless waived by both IPC and Validus:

(a) Shareholder Approval. Validus shall have obtained the Required Validus Vote, and IPC shall have obtained the Required IPC Vote.

(b) NYSE Listing. The Listed Validus Common Shares shall have been authorized for listing on NYSE, subject to official notice of issuance.

(c) Requisite Regulatory Approvals. The authorizations, consents, orders or approvals of, or declarations or filings with, and the expirations of waiting periods required from, any Governmental Entity set forth in Section 6.1(c) of the Validus Disclosure Letter and Section 6.1(c) of the IPC Disclosure Letter, to the extent required, shall have been filed, have occurred or been obtained (all such permits, approvals, filings and consents and the lapse of all such waiting periods being referred to as the Requisite Regulatory Approvals).

(d) Form S-4. The Form S-4 shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(e) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction preventing the consummation of the Amalgamation shall be in effect. There shall not be any action taken, or any Law enacted, entered, enforced or made applicable to the Amalgamation, by any Governmental Entity of competent jurisdiction that makes the consummation of the Amalgamation illegal or otherwise restrains, enjoins or prohibits the Amalgamation.

**Table of Contents**

6.2 Conditions to Obligation of IPC. The obligation of IPC to effect the Amalgamation is subject to the satisfaction of the following conditions unless waived by IPC:

(a) Representations and Warranties. (i) The representations and warranties of Validus set forth in Section 3.8 shall be true and correct in all respects as of the date hereof and the Closing Date as though made on and as of the Closing Date, (ii) the representations and warranties of Validus (and Amalgamation Sub, as applicable) set forth in Sections 3.2, 3.3(a), 3.9(b) (other than in the case of a Change in Validus Recommendation pursuant to Section 5.4(b)), 3.10(a) and 3.22 shall be true and correct in all material respects as of the date hereof and the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made only as of a specified date, which shall be true and correct in all material respects as of such date) and (iii) each of the other representations and warranties of Validus set forth in ARTICLE III of this Agreement shall be true and correct in all respects as of the date hereof and the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made only as of a specified date, which shall be true and correct as of such date), except where the failure of any such representations and warranties to be true and correct (without giving effect to any materiality or Material Adverse Effect or similar qualifier set forth therein) has not had and would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on Validus.

(b) Performance of Obligations of Validus. Validus shall have performed or complied in all respects with all agreements and covenants required to be performed by it under this Agreement at or prior to the Closing Date that are qualified as to materiality or Material Adverse Effect, and shall have performed or complied in all material respects with all other obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Certification. IPC shall have received a certificate signed on behalf of Validus by the Chief Executive Officer or the Chief Financial Officer of Validus, certifying that the conditions set forth in Section 6.2(a) and Section 6.2(b) have been satisfied.

(d) Burdensome Regulatory Condition. There shall not be any action taken, or any Law enacted, entered, enforced or deemed applicable to the Amalgamation or the transactions contemplated by this Agreement by any Governmental Entity of competent jurisdiction (including any Requisite Regulatory Approval), which imposes any term, condition, obligation or restriction upon Validus, the Amalgamated Company or their respective subsidiaries that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Validus and its subsidiaries (including the Amalgamated Company and its subsidiaries) on a consolidated basis after the Effective Time.

(e) Opinion of Tax Counsel. IPC shall have received an opinion from Sullivan & Cromwell LLP, special counsel to IPC, dated the Closing Date, to the effect that, on the basis of the facts, representations and assumptions set forth or referred to in such opinion, (i) the Amalgamation will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, (ii) each of IPC and Validus will be a party to that reorganization within the meaning of Section 368(b) of the Code and (iii) IPC will be treated, in respect of any shareholder who will own after the Amalgamation less than five percent of the issued IPC Common Shares (as determined under Treasury Regulations Section 1.367(a)-3(b)(1)(i)), as a corporation under Section 367(a) of the Code with respect to each transfer of property thereto pursuant to the Amalgamation. In rendering its opinion, Sullivan & Cromwell LLP may require and rely upon representations contained in letters from each of IPC and Validus.

6.3 Conditions to Obligation of Validus. The obligation of Validus to effect the Amalgamation is subject to the satisfaction of the following conditions unless waived by Validus:

(a) Representations and Warranties. (i) The representations and warranties of IPC set forth in Section 3.8 shall be true and correct in all respects as of the date hereof and the Closing Date as though made on and as of the Closing Date, (ii) the representations and warranties of IPC set forth in Sections 3.2, 3.3(a), 3.9(a) (other than in the case of a Change in IPC Recommendation pursuant to Section 5.4(b)), 3.10(b) and 3.22 shall be true and correct in all material respects as of the date hereof and the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made only as of a specified date,

**Table of Contents**

which shall be true and correct in all material respects as of such date) and (iii) each of the other representations and warranties of IPC set forth in ARTICLE III of this Agreement shall be true and correct in all respects as of the date hereof and the Closing Date as though made on and as of the Closing Date (except for such representations and warranties made only as of a specified date, which shall be true and correct as of such date), except where the failure of any such representations and warranties to be true and correct (without giving effect to any materiality or Material Adverse Effect or similar qualifier set forth therein) has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on IPC.

(b) Performance of Obligations of IPC. IPC shall have performed or complied in all respects with all agreements and covenants required to be performed by it under this Agreement at or prior to the Closing Date that are qualified as to materiality or Material Adverse Effect, and shall have performed or complied in all material respects with all other obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Certification. Validus shall have received a certificate signed on behalf of IPC by the Chief Executive Officer or the Chief Financial Officer of IPC, certifying that the conditions set forth in Section 6.3(a) and Section 6.3(b) have been satisfied.

(d) Burdensome Regulatory Condition. There shall not be any action taken, or any Law enacted, entered, enforced or deemed applicable to the Amalgamation or the transactions contemplated by this Agreement by any Governmental Entity of competent jurisdiction (including any Requisite Regulatory Approval), which imposes any term, condition, obligation or restriction upon Validus, the Amalgamated Company or their respective subsidiaries that would, individually or the aggregate, reasonably be expected to have a Material Adverse Effect on Validus and its subsidiaries (including the Amalgamated Company and its subsidiaries) on a consolidated basis after the Effective Time.

(e) Opinion of Tax Counsel. Validus shall have received an opinion from Cahill Gordon & Reindel LLP, special counsel to Validus, dated the Closing Date, to the effect that, on the basis of the facts, representations and assumptions set forth or referred to in such opinion, (i) the Amalgamation will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, (ii) each of IPC and Validus will be a party to that reorganization within the meaning of Section 368(b) of the Code and (iii) IPC will be treated, in respect of any shareholder who will own after the Amalgamation less than five percent of the issued IPC Common Shares (as determined under Treasury Regulations Section 1.367(a)-3(b)(1)(i)), as a corporation under Section 367(a) of the Code with respect to each transfer of property thereto pursuant to the Amalgamation. In rendering its opinion, Cahill Gordon & Reindel LLP may require and rely upon representations contained in letters from each of IPC and Validus.

(f) Credit Facility Waivers. All amendments or waivers under (x) IPC's credit facilities and (y) Validus' credit facilities, in each case, as determined by Validus to be necessary to consummate the Amalgamation and the other transactions contemplated hereby, shall be in full force and effect.

ARTICLE VII

TERMINATION AND AMENDMENT

7.1 Termination. This Agreement may be terminated, at any time prior to the Effective Time, by action taken or authorized by the board of directors of the terminating party or parties, whether before or after any Required Shareholder Vote has been obtained only:

(a) by mutual consent of IPC, Amalgamation Sub and Validus in a written instrument;

(b) by either IPC or Validus, upon written notice to the other party, if a Governmental Entity of competent jurisdiction that must grant a Requisite Regulatory Approval has denied such Requisite Regulatory Approval and such denial has become final and non-appealable; or any Governmental Entity of competent jurisdiction shall have issued an order, judgment, decision, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the Amalgamation, and such order, decree, ruling



**Table of Contents**

or other action has become final and non-appealable; provided that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose failure to comply in any material respect with Section 5.3 or any other provision of this Agreement has been the direct cause of, or resulted directly in, such action;

(c) by either IPC or Validus, upon written notice to the other party, if the Amalgamation shall not have been consummated on or before the later of (x) November 30, 2009 or (y) the date that is five months after the date of execution of this Agreement by all parties; provided that the right to terminate this Agreement under this Section 7.1(c) shall not be available to any party whose failure to comply in any material respect with any provision of this Agreement has been the direct cause of, or resulted directly in, the failure of the Effective Time to occur on or before such date;

(d) by IPC or Validus, upon written notice to the other party, if the non-terminating party's board of directors shall have (i) effected a Change in Validus Recommendation or Change in IPC Recommendation, as the case may be (including by amending or supplementing the Joint Proxy Statement/Prospectus to effect a Change in Validus Recommendation or Change in IPC Recommendation, as the case may be), (ii) failed to include the Validus Recommendation or IPC Recommendation, as the case may be, in the Joint Proxy Statement/Prospectus in accordance with Section 5.1(b) or 5.1(c), or (iii) with respect to IPC only, materially breached its obligations under Section 5.5(a)(iii) or 5.5(d);

(e) by either IPC or Validus if the terminating party is not in material breach of its obligations under this Agreement, upon written notice to the other party, if there shall have been a breach by the other party of any of the covenants or agreements or any of the representations or warranties set forth in this Agreement on the part of such other party, which breach would, individually or in the aggregate, result in, if occurring or continuing on the Closing Date, the failure of the conditions set forth in Section 6.2(a) or 6.2(b) or Section 6.3(a) or 6.3(b), as the case may be, and which breach has not been cured within 45 days following written notice thereof to the breaching party or, by its nature, cannot be cured within such time period;

(f) by either IPC or Validus, if the Required IPC Vote or Required Validus Vote shall not have been obtained upon a vote taken thereon at the duly convened IPC Shareholders Meeting or Validus Shareholders Meeting, as the case may be, or any adjournment or postponement thereof at which the applicable vote was taken;

(g) by Validus, if the total number of Dissenting Shares exceeds 15% of the issued and outstanding IPC Common Shares on the business day immediately following the last day on which the holders of IPC Common Shares can require appraisal of their IPC Common Shares pursuant to Bermuda Law;

(h) by IPC, after the IPC Shareholders Meeting, if (i) IPC is a Requesting Party and (ii) it is determined, in accordance with Section 5.16, that (A) Validus has experienced a 50% Book Value Decline or (B) there is a 20% Differential Book Value Decline and Validus's book value has declined by a greater percentage than IPC's book value; or

(i) by Validus, after the Validus Shareholders Meeting, if (i) Validus is a Requesting Party and (ii) it is determined, in accordance with Section 5.16, that (A) IPC has experienced a 50% Book Value Decline or (B) there is a 20% Differential Book Value Decline and IPC's book value has declined by a greater percentage than Validus's book value.

7.2 Effect of Termination.

(a) In the event of termination of this Agreement by either Validus or IPC as provided in Section 7.1, this Agreement shall forthwith become void, and there shall be no liability or obligation on the part of IPC, Amalgamation Sub or Validus or their respective officers or directors under or arising from this Agreement, except with respect to Section 5.2(b) (Confidentiality), Section 5.7 (Fees and Expenses), this Section 7.2 (Effect of Termination), and

ARTICLE VIII (General Provisions), which shall survive such termination, except that no party shall be relieved or released from any liabilities or damages arising out of its willful breach of this Agreement.

**Table of Contents**

(b) If IPC or Validus, as the case may be, terminates this Agreement pursuant to Section 7.1(d), then the non-terminating party shall, as promptly as reasonably practicable (and, in any event, within three business days following such termination), pay to the terminating party, by wire transfer of immediately available funds, \$16,000,000 (the Termination Fee ).

(c) If either party terminates this Agreement pursuant to Section 7.1(c), and (i) prior to the later of (x) November 30, 2009 or (y) the date that is five months after the date of execution of this Agreement by all parties, an Acquisition Proposal (which for the purposes of this Section 7.2(c) shall apply to an Acquisition Proposal for either IPC or Validus) shall have been publicly announced or otherwise communicated to the officers of the non-terminating party or its board of directors, and (ii) within 12 months of the date of such termination of this Agreement, the non-terminating party enters into or consummates an Acquisition Transaction with the person (or its affiliate) that made such Acquisition Proposal, then the non-terminating party shall pay to the terminating party upon the earlier of the date of such execution or such consummation, by wire transfer of immediately available funds, the Termination Fee.

(d) If either party terminates this Agreement pursuant to Section 7.1(e) and (i) at any time after the date of this Agreement and at or before the date of the Validus Shareholders Meeting (if Validus is the non-terminating party) or the IPC Shareholders Meeting (if IPC is the non-terminating party), as the case may be, an Acquisition Proposal (which for the purposes of this Section 7.2(d) shall apply to an Acquisition Proposal for either IPC or Validus) shall have been publicly announced or otherwise communicated to the officers of the non-terminating party or its board of directors, and (ii) within 12 months of the date of such termination of this Agreement, the non-terminating party enters into or consummates an Acquisition Transaction with the person (or its affiliate) that made such Acquisition Proposal, then the non-terminating party shall pay to the terminating party upon the earlier of the date of such execution or such consummation, by wire transfer of immediately available funds, the Termination Fee.

(e) If IPC or Validus, as the case may be, terminates this Agreement pursuant to Section 7.1(f) because the Required Validus Vote has not been obtained (and, if IPC is the terminating party, the Required IPC Vote has not been taken yet or has already been obtained), and if (i) at any time on or after the date of this Agreement and at or before the date of the Validus Shareholders Meeting, an Acquisition Proposal (which for the purposes of this Section 7.2(e) shall apply to an Acquisition Proposal for Validus) shall have been publicly announced or otherwise communicated to the officers of Validus or Validus' s board of directors, and (ii) within 12 months of the date of such termination of this Agreement, Validus or any of its subsidiaries enters into or consummates an Acquisition Transaction with the person (or its affiliate) that made such Acquisition Proposal, then Validus shall pay the Termination Fee to IPC upon the earlier of the date of such execution or such consummation.

(f) If IPC or Validus, as the case may be, terminates this Agreement pursuant to Section 7.1(f) because the Required IPC Vote has not been obtained (and, if Validus is the terminating party, the Required Validus Vote has not been taken yet or has already been obtained) and (i) at any time on or after the date of this Agreement and at or before the date of the IPC Shareholders Meeting, an Acquisition Proposal (which for the purposes of this Section 7.2(f) shall apply to an Acquisition Proposal for IPC) is publicly announced or otherwise communicated to the officers of IPC or IPC' s board of directors, and (ii) within 12 months of the date of such termination of this Agreement, IPC or any of its subsidiaries enters into or consummates an Acquisition Transaction with the person (or its affiliate) that made such Acquisition Proposal, then IPC shall pay the Termination Fee to Validus upon the earlier of the date of such execution or such consummation.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Non-Survival of Representations, Warranties and Agreements. Except for Section 5.8 and any provision of this ARTICLE VIII to the extent it is related to a claim under Section 5.8, none of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement, including any rights arising out of any breach of such representations, warranties,

**Table of Contents**

covenants, and agreements, shall survive the Effective Time, except for those covenants and agreements contained herein and therein that by their terms apply or are to be performed in whole or in part after the Effective Time.

8.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or by email, telecopy or facsimile, upon confirmation of receipt, (b) on the first business day following the date of dispatch if delivered by a recognized next-day courier service, or (c) on the third business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

(a) If to IPC, to

IPC            James P. Bryce  
Holdings,    John R. Weale  
Ltd.           Facsimile: +1 (441) 292-8085  
29  
Richmond  
Road  
Pembroke  
HM 08  
Bermuda  
Attention:

with a copy to (which shall not constitute notice):

Sullivan & Andrew S. Rowen, Esq.  
Cromwell    Melissa Sawyer, Esq.  
LLP           Facsimile: +1 (212) 558-3588  
125 Broad  
Street  
New York,  
New York  
10004  
Attention:

(b) If to Validus, to

Validus            C. Jerome Dill  
Holdings Ltd.    Joseph E. (Jeff) Consolino  
19 Par-La-Ville Facsimile: +1 (441) 278-9000  
Road  
Hamilton, HM  
11  
Bermuda  
Attention:

with a copy to (which shall not constitute notice):

Cahill Gordon & Reindel LLP  
80 Pine Street  
New York, NY 10005  
Attention: John Schuster, Esq.  
Facsimile: +1 (212) 701-3000

8.3 Interpretation. When a reference is made in this Agreement to sections or subsections, such reference shall be to a section or subsection of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. The words herein, hereof, hereunder and words of similar import shall be deemed to refer to this Agreement as a whole, including the schedules and exhibits hereto, and not to any particular provision of this Agreement. Any pronoun shall include the corresponding masculine, feminine and neuter forms. References to party or parties in this Agreement mean IPC, Amalgamation Sub and/or Validus, as the case may be. References to

**Table of Contents**

person in this Agreement mean an individual, a company, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof. References to subsidiary in this Agreement means, as to any person, any other person of which more than 50% of the effective voting power or equity or other ownership interests is directly or indirectly owned by such person. References to affiliate in this Agreement means, as to any person, any other person which, directly or indirectly, controls, or is controlled by, or is under common control with, such person. As used in this Agreement, control (including, with its correlative meanings, controlled by and under common control with ) means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise. As used in this Agreement, knowledge means the actual knowledge, without due inquiry, of the officers of Validus set forth in Section 8.3 of the Validus Disclosure Letter or the officers of IPC set forth in Section 8.3 of the IPC Disclosure Letter, as the case may be. References to US dollar, dollars, US\$ or \$ in this Agreement are to the lawful currency of the United States of America. As used in this Agreement, business day means any day other than a Saturday, Sunday or other day on which banking institutions in New York or Bermuda are obligated by Law or executive order to be closed.

8.4 Counterparts. This Agreement may be executed in separate counterparts, each of which shall be considered one and the same agreement and shall become effective when each of the parties has delivered a signed counterpart to the other parties, it being understood that all parties need not sign the same counterpart. Such counterpart executions may be transmitted to the parties by facsimile or electronic transmission, which shall have the full force and effect of an original signature.

8.5 Entire Agreement; No Third Party Beneficiaries. This Agreement (including the Validus Disclosure Letter and the IPC Disclosure Letter) (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof which shall survive the execution and delivery of this Agreement and shall terminate in accordance with its terms and (b) is not intended to confer upon any person other than the parties any rights or remedies hereunder, except (i) for the rights of the holders of IPC Common Shares to receive the Amalgamation Consideration pursuant to and subject to this Agreement if the Effective Time occurs, and (ii) as provided in Section 5.8(c).

8.6 Governing Law. This Agreement shall be governed in all respects, including as to validity, interpretation and effect, by the Laws of Bermuda, without giving effect to its principles or rules of conflict of laws.

8.7 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability and, unless the effect of such invalidity or unenforceability would prevent the parties from realizing the major portion of the economic benefits of the Amalgamation that they currently anticipate obtaining therefrom, shall not render invalid or unenforceable the remaining terms and provisions of this Agreement or affect the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

8.8 Assignment. Neither this Agreement nor any of the rights, interests or obligations of the parties hereunder shall be assigned by any of the parties (whether by operation of Law or otherwise) without the prior written consent of the other parties, which may be granted or withheld in the sole discretion of the other parties. Any attempt to make any such assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and permitted assigns.

8.9 Enforcement. The parties agree that money damages would be both incalculable and an insufficient remedy and that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms on a timely basis or were otherwise breached. It is accordingly agreed that, subject to the discretion of the Chosen Court (as defined in Section 8.10), the parties shall be entitled to an injunction or other equitable relief to prevent breaches of this Agreement and to enforce



**Table of Contents**

specifically the terms and provisions of this Agreement in any court identified in Section 8.10, this being in addition to any other remedy to which they are entitled at law or in equity.

8.10 Submission to Jurisdiction. Each party irrevocably and unconditionally consents, agrees and submits to the exclusive jurisdiction of the Bermuda Supreme Court (and appropriate appellate courts therefrom) (the Chosen Courts ), for the purposes of any litigation, action, suit or other proceeding arising out of or relating to this Agreement or any transaction contemplated hereby. Each party agrees to commence any litigation, action, suit or proceeding relating hereto only in the Bermuda Supreme Court, or if such litigation, action, suit or other proceeding may not be brought in such court for reasons of subject matter jurisdiction, in the other appellate courts therefrom or other courts of Bermuda. Each party irrevocably and unconditionally waives any objection to the laying of venue of any litigation, action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the Chosen Courts, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each party further irrevocably consents to and grants any such court jurisdiction over the person of such parties and, to the extent legally effective, over the subject matter of any such dispute and agrees that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 8.2 or in such other manner as may be permitted by Law, shall be valid and sufficient service thereof. The parties agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

8.11 Amendment. This Agreement may be amended by the parties, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Amalgamation by the shareholders of Validus or of IPC, but, after any such approval, no amendment shall be made which by Law requires further approval by such shareholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties by their duly authorized representatives.

8.12 Extension; Waiver. At any time prior to the Effective Time, the parties may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. The failure of a party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. No single or partial exercise of any right, remedy, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. Any waiver shall be effective only in the specific instance and for the specific purpose for which given and shall not constitute a waiver to any subsequent or other exercise of any right, remedy, power or privilege hereunder.

8.13 Defined Terms.

(a) For purposes of this Agreement, each of the following terms shall have the meaning set forth below.

Acquisition Transaction means with respect to any person, any amalgamation, merger, reorganization, share exchange, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving it or any of its subsidiaries or any purchase or sale of 35% or more of the consolidated assets (including, without limitation, stock of its subsidiaries) of it and its subsidiaries, taken as a whole, or any purchase or sale of, or tender or exchange offer for, its voting securities that, if consummated, would result in any person (or the shareholders of such person) beneficially owning securities representing 35% or more of its total voting power or the voting power of any of its subsidiaries.

Average Validus Share Price means the volume weighted average price per Validus Common Share on the NYSE (as reported by Bloomberg L.P. or, if not reported thereby, by another authoritative source mutually agreed by the parties) for the five consecutive trading days immediately preceding the second trading day prior

**Table of Contents**

to the Closing Date. For all purposes of this Agreement, the Average Validus Share Price shall be calculated to the nearest one-hundredth of one cent.

Compensation and Benefit Plan means any pension, retirement, profit-sharing, deferred compensation, stock option, restricted stock unit, equity-based compensation, performance units, employee stock ownership, severance pay, vacation, retention or other bonus or incentive plan, any other employee program or agreement, any medical, vision, dental, or other health plan, any life insurance plan, and any other employee benefit plan or fringe benefit plan, whether or not tax-qualified or otherwise tax-preferred, maintained by, sponsored in whole or in part by, or contributed to by IPC or Validus or their subsidiaries, as the case may be, for the benefit of their employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which such employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate and any employment, retention, change in control, severance, termination, consulting or retirement agreement with their current or former employees.

IM Agreement means the Agreement and Plan of Amalgamation, dated as of March 1, 2009, between IPC, IPC Limited, a Bermuda exempted company and Max Capital Group Ltd., a Bermuda exempted company, as amended on March 5, 2009.

Intellectual Property means (i) trademarks, service marks, Internet domain names, logos, trade dress, trade names, corporate names and any and every other form of trade identity or indicia of origin, and the goodwill associated therewith and symbolized thereby; (ii) inventions, discoveries and patents, and the improvements thereto; (iii) published and unpublished works of authorship and the copyrights therein and thereto (including databases and other compilations of information, computer and electronic data processing programs and software, in both source code and object code); (iv) trade secrets, confidential business and technical information and any other confidential information (including ideas, research and development, know-how, formulae, calculations, algorithms, models, designs, processes, business methods, customer lists and supplier lists) (Trade Secrets); (v) all rights in data and data bases; (vi) all other intellectual property or similar proprietary rights; and (vii) all applications, registrations and renewals for the foregoing.

IPC Benefit Plan means only those Compensation and Benefit Plans maintained by, sponsored in whole or in part by, or contributed to by IPC or its subsidiaries for the benefit of their employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which such employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate or with respect to which IPC or any of its subsidiaries has any liability.

Material Adverse Effect means, with respect to any party, any change, state of facts, circumstance, event or effect that is materially adverse to (A) the financial condition, properties, assets, liabilities, obligations (whether accrued, absolute, contingent or otherwise), businesses or results of operations of such party and its subsidiaries, taken as a whole, excluding any such change, state of facts, circumstance, event or effect to the extent caused by or resulting from:

- (i) the execution, delivery and announcement of this Agreement and the transactions contemplated hereby,
- (ii) changes in economic, market, business, regulatory or political conditions generally in the United States or in Bermuda or any other jurisdiction in which such party operates or in Bermudian, U.S. or global financial markets,
- (iii) changes, circumstances or events generally affecting the property and casualty insurance and reinsurance industry in the geographic areas in which such party operates,

(iv) changes, circumstances or events resulting in liabilities under property catastrophe reinsurance, including any effects resulting from any earthquake, hurricane, tornado, windstorm, terrorist act, act of war or other natural or man-made disaster,

(v) changes in any Law,

**Table of Contents**

(vi) changes in generally accepted accounting principles or in statutory accounting principles (or local equivalents in the applicable jurisdiction) prescribed by the applicable insurance regulatory authority (GAAP and Applicable SAP, respectively), including accounting and financial reporting pronouncements by the Bermuda Monetary Authority, the Securities and Exchange Commission (the SEC), the National Association of Insurance Commissioners and the Financial Accounting Standards Board,

(vii) any change or announcement of a potential change in its or any of its subsidiaries' credit or claims paying rating or A.M. Best rating or the ratings of any of its or its subsidiaries' businesses or securities (provided that this exception shall not prevent or otherwise affect a determination that any changes, state of facts, circumstances, events or effects underlying a change described in this clause (vii) has resulted in, or contributed to, a Material Adverse Effect),

(viii) a change in the trading prices or volume of such party's capital stock (provided that this exception shall not prevent or otherwise affect a determination that any changes, state of facts, circumstances, events or effects underlying a change described in this clause (viii) has resulted in, or contributed to, a Material Adverse Effect),

(ix) the failure to meet any revenue, earnings or other projections, forecasts or predictions for any period ending after the date of this Agreement (provided that this exception shall not prevent or otherwise affect a determination that any state of facts, circumstances, events or effects underlying a failure described in this clause (ix) has resulted in, or contributed to, a Material Adverse Effect),

(x) the commencement, occurrence or continuation of any war or armed hostilities, or

(xi) any action or failure to act required to be taken by a party pursuant to the terms of this Agreement,

except in the case of the foregoing clauses (ii), (iii), (v), (vi) and (x) to the extent those changes, state of facts, circumstances, events, or effects have a materially disproportionate effect on such party and its subsidiaries taken as a whole relative to other similarly situated persons in the property and casualty insurance and reinsurance industry, and/or (B) the ability of such party to perform its obligations under this Agreement or to consummate the transactions contemplated hereby on a timely basis.

Permitted Encumbrance means (i) statutory liens securing payments not yet due, (ii) such imperfections or irregularities of title, claims, liens, charges, security interests or encumbrances as do not affect the use of the properties or assets subject thereto or affected thereby or otherwise impair business operations at such properties, (iii) restrictions on transfer imposed by Law, (iv) assets pledged or transferred to secure reinsurance or retrocession obligations, (v) ordinary-course securities lending and short-sale transactions, (vi) investment securities held in the name of a nominee, custodian or other record owner, (vii) statutory deposits, or (viii) any failure to hold good title, in each case, that would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

Tax means (i) all federal, state, local or foreign taxes, charges, fees, imposts, levies or other assessments, including all income, gross receipts, capital, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, premium, severance, stamp, occupation, property and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Taxing Authority in connection with any item described in clause (i), and (iii) any transferee liability in respect of any items described in clauses (i) or (ii) payable by reason of contract, assumption, transferee liability, operation of Law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof of any analogous or similar provision under Law) or otherwise.

Tax Asset means any loss, net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction, or any other credit or Tax attribute that could be carried forward or carried back to reduce Taxes.

Tax Return means any return, report or statement filed or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof) including

**Table of Contents**

any information return, claim for refund, amended return or declaration of estimated Tax, and including, where permitted or required, combined, consolidated or unitary returns for any group of entities that includes IPC, Validus or any subsidiaries thereof.

Taxing Authority means the Internal Revenue Service or any other Governmental Entity responsible for the administration of any Tax.

Validus Benefit Plan means only those Compensation and Benefit Plans maintained by, sponsored in whole or in part by, or contributed to by Validus or its subsidiaries for the benefit of their employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries and under which such employees, former employees, retirees, dependents, spouses, directors, independent contractors, or other beneficiaries are eligible to participate or with respect to which Validus or any of its subsidiaries has any liability.

(b) Each of the following terms is defined in the provision listed opposite such term:

| <b>Defined Term</b>                 | <b>Section</b>                         |
|-------------------------------------|--|
| 20% Differential Book Value Decline | 5.16(e)                                |
| 50% Book Value Decline              | 5.16(d)                                |
| Acquisition Proposal                | 5.5(a)(i)                              |
| Acquisition Transaction             | 8.13(a)                                |
| Administrator                       | 3.12(h)                                |
| affiliate                           | 8.3                                    |
| Agent                               | 3.12(h)                                |
| Agreement                           | Introduction                           |
| Amalgamated Company                 | 1.3                                    |
| Amalgamation                        | Recitals                               |
| Amalgamation Agreement              | 1.1                                    |
| Amalgamation Application            | 1.1                                    |
| Amalgamation Consideration          | 2.1(a)                                 |
| Amalgamation Sub                    | Introduction                           |
| Applicable SAP                      | 8.13(a) (See Material Adverse Effect ) |
| Average Validus Share Price         | 8.13(a)                                |
| Book Value Estimate                 | 5.16(a)                                |
| business day                        | 8.3                                    |
| Change in Validus Recommendation    | 5.4(a)                                 |
| Change in IPC Recommendation        | 5.4(a)                                 |
| Chosen Courts                       | 8.10                                   |
| Closing                             | 1.2                                    |
| Closing Date                        | 1.2                                    |
| Code                                | Recitals                               |
| Companies Act                       | Recitals                               |
| Compensation and Benefit Plan       | 8.13(a)                                |
| control                             | 8.3                                    |
| Disclosure Letter                   | ARTICLE III                            |
| Dissenting Shareholder              | 2.1(c)                                 |
| Dissenting Shares                   | 2.1(c)                                 |





**Table of Contents**

| <b>Defined Term</b>              | <b>Section</b>                         |
|----------------------------------|--|
| Effective Time                   | 1.1                                    |
| Employees                        | 5.12(b)                                |
| ERISA                            | 3.15(e)                                |
| Exchange Act                     | 3.4(a)                                 |
| Exchange Agent                   | 2.2(a)                                 |
| Exchange Fund                    | 2.2(a)                                 |
| Exchange Ratio                   | 2.1(a)                                 |
| Financing                        | 4.2(a)                                 |
| Form S-4                         | 5.1(a)                                 |
| GAAP                             | 8.13(a) (See Material Adverse Effect ) |
| Governmental Entity              | 3.3(c)                                 |
| Greenhill                        | 3.19                                   |
| IM Agreement                     | 8.13(a)                                |
| Indemnified Parties              | 5.8(a)                                 |
| Insurance Entities               | 3.12(a)                                |
| Insurance Laws                   | 3.5(a)                                 |
| Intellectual Property            | 8.13(a)                                |
| Investment Assets                | 3.13(a)                                |
| Investment Policy                | 3.13(c)                                |
| IPC                              | Introduction                           |
| IPC Benefit Plan                 | 8.13(a)                                |
| IPC Bye-Law Amendment            | 3.9(a)                                 |
| IPC Certificate                  | 2.1                                    |
| IPC Common Share                 | 2.1                                    |
| IPC Disclosure Letter            | ARTICLE III                            |
| IPC Non-Performance Awards       | 2.3(b)                                 |
| IPC Other Awards                 | 2.3(b)                                 |
| IPC Performance Awards           | 2.3(b)                                 |
| IPC Recommendation               | 3.9(a)                                 |
| IPC Share Option                 | 2.3(a)                                 |
| IPC Share Plans                  | 3.2(a)                                 |
| IPC Share Register               | 2.1                                    |
| IPC Shareholders Meeting         | 5.1(c)                                 |
| Joint Proxy Statement/Prospectus | 5.1(a)                                 |
| JP Morgan                        | 3.19                                   |
| knowledge                        | 8.3                                    |
| Laws                             | 3.5(a)                                 |
| Legal Proceedings                | 3.6                                    |
| Listed Validus Common Shares     | 5.13                                   |
| Lloyd s                          | 3.5(a)                                 |

**Table of Contents**

| <b>Defined Term</b>            | <b>Section</b>                         |
|--------------------------------|--|
| Lloyd's Regulations            | 3.12(m)                                |
| Material Adverse Effect        | 8.13(a)                                |
| Material Contract              | 3.14(a)                                |
| Measurement Date               | 5.16(a)                                |
| multiemployer plan             | 3.15(e)                                |
| New Option                     | 2.3(a)                                 |
| Non-Requesting Party           | 5.16(a)                                |
| Non-Vested PSU                 | 2.3(b)                                 |
| Notice of Superior Proposal    | 5.5(d)                                 |
| Notice Period                  | 5.5(d)                                 |
| NYSE                           | 2.1(a)                                 |
| party; parties                 | 8.3                                    |
| Permits                        | 3.5(a)                                 |
| Permitted Encumbrance          | 8.13(a)                                |
| person                         | 8.3                                    |
| Policies                       | 3.12(g)                                |
| Registrar                      | 1.1                                    |
| Reinsurance Agreements         | 3.12(e)                                |
| Representatives                | 5.2(b)                                 |
| Requesting Party               | 5.16(a)                                |
| Required IPC Vote              | 3.10(b)                                |
| Required Shareholder Votes     | 3.10(b)                                |
| Required Validus Vote          | 3.10(a)                                |
| Requisite Regulatory Approvals | 6.1(c)                                 |
| SEC                            | 8.13(a) (See Material Adverse Effect ) |
| SEC Documents                  | 3.4(a)                                 |
| Securities Act                 | 3.4(a)                                 |
| Share Issuance                 | Recitals                               |
| Statutory Statements           | 3.12(b)                                |
| subsidiary                     | 8.3                                    |
| Superior Proposal              | 5.5(f)                                 |
| Tax                            | 8.13(a)                                |
| Tax Asset                      | 8.13(a)                                |
| Tax Return                     | 8.13(a)                                |
| Taxing Authority               | 8.13(a)                                |
| Termination Fee                | 7.2(b)                                 |
| Trade Secrets                  | 8.13(a) (See Intellectual Property )   |
| Underwriting Model             | 3.17(c)                                |
| Validus                        | Introduction                           |
| Validus Benefit Plan           | 8.13(a)                                |
| Validus Common Share           | 2.1(a)                                 |

**Table of Contents**

| <b>Defined Term</b>          | <b>Section</b> |
|------------------------------|----------------|
| Validus Disclosure Letter    | ARTICLE III    |
| Validus Recommendation       | 3.9(b)         |
| Validus Share Plans          | 3.2(a)         |
| Validus Shareholders Meeting | 5.1(b)         |
| Voting Debt                  | 3.2(d)         |

*[Remainder of this page intentionally left blank]*

**Table of Contents**

IN WITNESS WHEREOF, IPC, Amalgamation Sub and Validus have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first set forth above.

IPC HOLDINGS, LTD.

Name: James P. Bryce

By: /s/

Title: Chief Executive Officer

-49-

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**Table of Contents**

VALIDUS HOLDINGS, LTD.

Name: Edward J. Noonan

By: /s/ Edward J. Noonan

Title: Chairman and Chief Executive Officer

VALIDUS LTD

Name: Joseph E. (Jeff) Consolino

By: /s/ Joseph E. (Jeff) Consolino

Title: Chief Financial Officer

-50-

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**DATED [ 1 ], 2009  
VALIDUS LTD. [AMAL 1]  
IPC HOLDINGS, LTD. [AMAL 2]**

**AMALGAMATION AGREEMENT**

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**Table of Contents**

**THIS AMALGAMATION AGREEMENT** is made as of [ 1 ], 2009 BETWEEN:

(1) Validus Ltd., a company incorporated under the laws of Bermuda having its registered office at 19 Par-La-Ville Road, Hamilton, Bermuda (hereinafter called **AMAL 1** ); and

(2) IPC Holdings, Ltd., a company also incorporated under the laws of Bermuda having its registered office at 29 Richmond Road, Pembroke, Bermuda (hereinafter called **AMAL 2** ).

**WHEREAS:**

(A) **AMAL 1** was incorporated under the laws of Bermuda pursuant to the Companies Act 1981, as evidenced by a memorandum of association dated [ 1 ], 2009 and is a company in good standing with the laws of Bermuda;

(B) **AMAL 2** was incorporated under the laws of Bermuda pursuant to the Companies Act 1981, as evidenced by a memorandum of association dated May 17, 1993 and is a company in good standing under the laws of Bermuda;

(C) **AMAL 1** and **AMAL 2**, acting under the authority contained in Section 104 of the Companies Act 1981, have each, by a special general meeting of their Members held on [ 1 ], 200[ 1 ], agreed to amalgamate upon the terms and conditions hereinafter set out;

(D) **AMAL 1** and **AMAL 2** have each made full disclosure to the other of all their respective assets and liabilities;

(E) **AMAL 1** has an authorised and issued share capital of [ 1 ] consisting of [ 1 ] ordinary shares having a par value of [ 1 ], all of which are fully paid;

(F) **AMAL 2** has an authorised and issued share capital of [ 1 ] consisting of [ 1 ] ordinary shares having a par value of [ 1 ], all of which are fully paid;

(G) It is desired by the parties that the said amalgamation shall be effected.

NOW THEREFORE THE PARTIES HAVE AGREED AS FOLLOWS:

1. In this Agreement:

**Amalgamating Companies** means **AMAL 1** and **AMAL 2**, the parties hereto;

**Amalgamated Company** means the Company continuing from the amalgamation of the Amalgamating Companies;

**Amalgamation Agreement** or **Agreement** means this Amalgamation Agreement;

**the Act** means the Companies Act 1981, as amended up to and including the date of this Agreement; and

**the Effective Date** means [ 1 ], 2009, which date is deemed to be the Effective Date of Amalgamation.

2. Each of the Amalgamating Companies does hereby agree to amalgamate, as of the close of business on the Effective Date, under the provisions of the Act and to continue as one company under the terms and conditions hereinafter set out.

3. The name of the Amalgamated Company shall be Validus Ltd. (that is, the present name of **AMAL 1**) and the registered office of the Amalgamated Company shall be 19 Par-La-Ville Road, Hamilton, HM 11, Bermuda.
4. The Amalgamated Company shall be governed by the Memorandum of Association of **AMAL 1**.
5. The Bye-Laws of the Amalgamated Company shall, to the extent that they are not inconsistent with this Agreement, be the Bye-Laws of **AMAL 1**, until repealed, amended or altered.

-2-

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**Table of Contents**

6. The Board of Directors of the Amalgamated Company (the Board of Directors ) shall consist of not more than [ 1 ] directors, and the first directors of the Amalgamated Company shall be the persons whose names and addresses are set out in Schedule 1, attached hereto, who shall hold office until the first annual meeting of the Amalgamated Company or until their successors are elected or appointed.

7. The management and supervision of the business and affairs of the Amalgamated Company shall be under the control of the Board of Directors from time to time subject to the provisions of the Act and the Bye-Laws of the Amalgamated Company.

8. The Amalgamated Company shall have a minimum share capital of [ 1 ] and an authorised share capital of [ 1 ] divided into [ 1 ] shares having a par value of [ 1 ] each, having all the rights, conditions, restrictions and limitations set out in the Bye-Laws of the Amalgamated Company. Such shares shall be allotted or issued to the Shareholders of the Amalgamated Company on the basis set out in the attached Schedule 2.

9. After the issue of the Certificate of Amalgamation giving effect to the Amalgamation contemplated by this Agreement, the Shareholders of the Amalgamating Companies shall, at the request of the Amalgamated Company, surrender the certificates evidencing the shares held by them in the Amalgamating Companies and, in return, shall be entitled to receive certificates representing shares of the Amalgamated Company on the basis set out in the attached Schedule B.

10. **AMAL 1** shall contribute to the Amalgamated Company all its property and assets, subject to all its liabilities, as more particularly set out in the balance sheet of **AMAL 1** as of [ 1 ], 200[ 1 ], subject to changes occurring since that date in the ordinary course of business.

11. **AMAL 2** shall contribute to the Amalgamated Company all its property and assets, subject to all its liabilities, as more particularly set out in the balance sheet of **AMAL 2** as of [ 1 ], 200[ 1 ], subject to changes occurring since that date in the ordinary course of business.

12. The Amalgamated Company shall possess all the property, assets, rights and privileges and shall be subject to all the contracts, liabilities, debts and obligations of the Amalgamating Companies.

13. All the rights of creditors against the property, assets, rights and privileges of the Amalgamating Companies and all liens upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of the Amalgamating Companies shall henceforth attach to and may be enforced against the Amalgamated Company.

14. No action or proceeding by or against the Amalgamating Companies shall abate or be affected by such amalgamation but, for the purposes of such action or proceeding, the name of the Amalgamated Company shall be substituted in such action or proceeding in place of **AMAL 1** and **AMAL 2**.

15. **AMAL 1** and **AMAL 2** agree to execute and do all such acts deeds and things as shall or may be necessary to give effect to their respective undertakings pursuant to this Agreement.

**Table of Contents**

**Schedule 1 - Board of Directors of Amalgamated Company**

**NAME**

**ADDRESS**

-4-

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**Table of Contents**

**Schedule 2**

**1. Total Common Shares to be issued by Amalgamated Company**

[[ 1 ] (insert number of shares in words) Common Shares of the par value \$[ 1 ] ([ 1 ] dollar) each.]

**2. Share Issuance Methodology**

[Each Shareholder of **AMAL 1** will receive one share of Common Stock of the Amalgamated Company for each share of Common Stock of **AMAL 1** which he holds. The Shareholders of **AMAL 2** will receive no shares in the Amalgamated Company and each of their shares in **AMAL 2** (irrespective of class) will be cancelled.]

**3. Valuation of Shares in the Amalgamated Company**

[Each share of the Amalgamated Company shall be entitled to a *pro rata* share of the assets of the Amalgamated Company net of the accumulated liabilities of the Amalgamated Company, as determined from time to time.]

**IN WITNESS WHEREOF** this Agreement has been duly executed by the parties hereto under their respective seals as witnessed by the signatures of their proper officers.

**The Common Seal of AMAL 1** )  
**is hereunto affixed in the presence** )  
**of:** )

**The Common Seal of AMAL 2** )  
**is hereunto affixed in the presence** )  
**of:** )

**Table of Contents**

**Exhibit E**

**IPC Bye-Law Amendment**

The following shall be inserted as bye-law 100 under the caption MEMBER VOTE TO APPROVE AN AMALGAMATION :

90. Amalgamation

A resolution proposed for consideration at a general meeting to approve the amalgamation of the Company with any other company shall require the affirmative vote of a majority of the votes cast by Members present or represented by proxy and voting at such general meeting and the quorum for such general meeting shall be as set out in Bye-Law 39.

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**Table of Contents**

**Exhibit F**

Supplement to Section 4.1 of IPC Disclosure Letter

1. IPC shall be permitted to pay to Max Capital Group Ltd. the termination fee required to be paid by IPC to Max Capital Group Ltd. under the IM Agreement, using (i) cash on hand or (ii) the proceeds of (x) indebtedness incurred under its existing credit facility or (y) other unsecured indebtedness reasonably acceptable to Validus, or (iii) the proceeds from the sale of Investment Assets reasonably acceptable to Validus.

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**Table of Contents**

**Annex B**

Greenhill & Co., LLC  
300 Park Avenue  
New York, NY 10022  
(212) 389-1500  
(212) 389-1700 Fax

CONFIDENTIAL

March 31, 2009

Board of Directors  
Validus Holdings, Ltd.  
19 Par-La-Ville Road  
Hamilton, Bermuda HM 11

Members of the Board of Directors:

*We understand that Validus Holdings, Ltd. (the Parent ) and Validus Ltd. (the Amalgamation Subsidiary ) propose to execute and deliver to IPC Holdings, Ltd. (the Company ) an Agreement and Plan of Amalgamation (the Amalgamation Agreement ), which would provide, among other things, for the amalgamation (the Amalgamation ) of the Company with the Amalgamation Subsidiary, a wholly owned subsidiary of the Parent. In the Amalgamation, each issued and outstanding share of common stock, par value \$0.01 per share, of the Company (the Company Common Stock ), other than shares of Company Common Stock that are owned by Parent or any of its subsidiaries and Dissenting Shares (as defined in the Amalgamation Agreement), shall be cancelled and converted into the right to receive a number of shares of common stock, par value \$0.175 per share, of the Parent (the Parent Common Shares ) equal to the Exchange Ratio (as defined in the Amalgamation Agreement), together with any cash paid in lieu of fractional shares in accordance with the terms of the Amalgamation Agreement. The terms and conditions of the Amalgamation are more fully set forth in the Amalgamation Agreement.*

The Company, IPC Limited, a wholly owned subsidiary of the Company, and Max Capital Group Ltd. entered into an Agreement and Plan of Amalgamation, dated as of March 1, 2009, and an amendment thereto dated as of March 5, 2009.

You have asked for our opinion as to whether, as of the date hereof, the Exchange Ratio pursuant to the Amalgamation Agreement is fair, from a financial point of view, to the Parent.

For purposes of the opinion set forth herein, we have:

1. reviewed the Amalgamation Agreement dated as of the date hereof as executed by Parent and the Amalgamation Subsidiary (but not the Company as of the date hereof), and certain related documents;
2. reviewed certain publicly available financial statements of the Company and Parent;
3. reviewed certain other publicly available business and financial information relating to the Company and Parent that we deemed relevant;

4. reviewed certain information, including financial forecasts and other financial and operating data concerning the Parent prepared by the management of the Parent;

5. discussed the past and present operations and financial condition and the prospects of the Parent with senior executives of the Parent;

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**Table of Contents**

6. reviewed the historical market prices and trading activity for the Company Common Stock and Parent Common Shares and analyzed their implied valuation multiples;
7. compared the value of the consideration with that received in certain publicly available transactions that we deemed relevant;
8. compared the value of the consideration with the trading valuations of certain publicly traded companies that we deemed relevant;
9. compared the value of the consideration with the relative contribution of the Company to the pro forma combined company based on a number of metrics that we deemed relevant; and
10. performed such other analyses and considered such other factors as we deemed appropriate.

However, given the unsolicited nature of the proposed Amalgamation with the Company, our review and analysis of the Company and its business and financial information are necessarily limited to information that is publicly available as of the date hereof. We have not reviewed financial forecasts and other financial and operating data concerning the Company prepared by management of the Company or other nonpublic information regarding the Company, nor have we participated in discussions or negotiations among representatives of the Company and its legal or financial advisor and representatives of the Parent or its legal advisor.

In giving our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the information publicly available, supplied or otherwise made available to us by representatives and management of the Parent for the purposes of this opinion and have further relied upon the assurances of the representatives and management of the Parent that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts and projections and other data that have been furnished or otherwise provided to us, we have assumed that such financial forecasts and projections and other data were reasonably prepared on a basis reflecting the best currently available estimates and good faith judgments of the management of the Parent as to those matters, and we have relied upon such financial forecasts and projections and other data in arriving at our opinion. We express no opinion with respect to such financial forecasts and projections and other data or the assumptions upon which they are based. We have not made any independent valuation or appraisal of the assets or liabilities of the Company, nor have we been furnished with any such appraisals. We have assumed, with your consent, that the Amalgamation will be treated as a tax-free reorganization for federal income tax purposes. We have assumed that the Amalgamation will be consummated in accordance with the terms set forth in the final, fully executed Amalgamation Agreement, which we have further assumed will be identical in all material respects to the proposed Amalgamation Agreement we have reviewed, and without amendment or waiver of any material terms or conditions set forth in the Amalgamation Agreement. We have further assumed that all material governmental, regulatory and other consents, approvals and waivers necessary for the consummation of the Amalgamation will be obtained without any effect on the Company, the Parent, the Amalgamation or the contemplated benefits of the Amalgamation meaningful to our analysis. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion.

We have acted as financial advisor to the Board of Directors of the Parent (the Board) in connection with the Amalgamation and will receive a fee for services rendered in connection with the Amalgamation, a portion of which is contingent on the consummation of the Amalgamation. In addition, the Parent has agreed to indemnify us for certain liabilities arising out of our engagement. During the two years preceding the date of this opinion, we have not been engaged by, performed any services for or received any compensation from the Parent or any other parties to the



Amalgamation (other than any amounts that were paid to us under the letter agreement pursuant to which we were retained as a financial advisor to the Parent in connection with the Amalgamation). As of the date of this opinion, four merchant banking funds affiliated with Greenhill & Co., LLC owned an aggregate of 2,571,427 Parent Common Shares, and certain employees of Greenhill & Co., LLC and its affiliates have interests in one or more of such funds.

**Table of Contents**

It is understood that this letter is for the information of the Board, and is rendered to the Board in connection with its consideration of the execution and delivery of the Amalgamation Agreement and may not be used for any other purpose without our prior written consent, except that this opinion may, if required by law, be included in its entirety in any proxy or other information statement or registration statement to be mailed to the stockholders of the Parent in connection with the Amalgamation. We are not expressing an opinion as to any aspect of the Amalgamation, other than the fairness to the Parent of the Exchange Ratio from a financial point of view. In particular, we express no opinion as to the prices at which the Parent Common Shares will trade at any future time. We express no opinion with respect to the amount or nature of any compensation to any officers, directors or employees of the Parent, or any class of such persons relative to the Exchange Ratio or with respect to the fairness of any such compensation. This opinion has been approved by our fairness committee. This opinion does not address the underlying business decision of the Parent to engage in the Amalgamation or the relative merits of the Amalgamation as compared to any other alternative business strategies that might exist for the Parent and as such is not intended to be and does not constitute a recommendation to the members of the Board as to whether they should approve the Amalgamation, or the Amalgamation Agreement or any related matters. In addition, this opinion is not intended to be and does not constitute a recommendation as to whether the stockholders of the Parent should approve the issuance of the Parent Common Shares in the Amalgamation or take any other action at any meeting of the shareholders of the Parent convened in connection with the Amalgamation.

Based on and subject to the foregoing, including the limitations and assumptions set forth herein, we are of the opinion that as of the date hereof the Exchange Ratio pursuant to the Amalgamation Agreement is fair, from a financial point of view, to the Parent.

Very best regards,

GREENHILL & CO., LLC

Robert F. Greenhill  
Managing Director

By: /s/ Robert F. Greenhill

**Table of Contents**

**IMPORTANT**

If your shares are held in your own name, please sign, date and return the enclosed proxy card today. If your shares are held in Street-Name, only your broker or bank can vote your shares and only upon receipt of your specific instructions. Please return the enclosed proxy card to your broker or bank and contact the person responsible for your account to ensure that a proxy card is voted on your behalf.

If you have any questions or need assistance, please contact:

199 Water Street, 26th Floor  
New York, New York 10038  
Banks and Brokerage Firms Please Call: (212) 440-9800  
All Others Please Call Toll Free: (888) 274-5146  
Email inquiries: [validus@georgeson.com](mailto:validus@georgeson.com)

-4-

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**Table of Contents**

**YOUR VOTE IS IMPORTANT  
Please complete, date, sign and mail**

**your proxy card in the envelope provided**

**as soon as possible.**

**TO VOTE BY MAIL, PLEASE DETACH PROXY CARD HERE**

**PROXY  
VALIDUS HOLDINGS, LTD.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned holder of voting common shares, \$0.175 par value per share (the Validus Shares ), of Validus Holdings, Ltd. hereby appoints Edward J. Noonan and C. Jerome Dill, and/or each of them with full power of substitution, to be its proxy and to vote for the undersigned on all matters arising at the Validus Special Meeting of Shareholders of Validus Shares or any adjournment thereof, and to represent the undersigned at such meeting or any adjournment thereof to be held at , Atlantic Time, on , 2009 at the registered office of Validus Holdings, Ltd. at 19 Par-La-Ville Road located in Hamilton, Bermuda.

**THE SHARES REPRESENTED HEREBY WILL BE VOTED WITH THE INSTRUCTIONS CONTAINED HEREIN. IF A SIGNED PROXY CARD IS RETURNED AND NO INSTRUCTION IS GIVEN, THE SHARES WILL BE VOTED FOR THE PROPOSALS ON THE REVERSE HEREOF, ALL SAID ITEMS BEING FULLY DESCRIBED IN THE NOTICE OF SUCH MEETING, DATED , 2009, AND THE ACCOMPANYING PROXY STATEMENT, RECEIPT OF WHICH ARE ACKNOWLEDGED. THE UNDERSIGNED RATIFIES AND CONFIRMS ALL THAT SAID PROXIES OR THEIR SUBSTITUTES MAY LAWFULLY DO BY VIRTUE HEREOF. THIS PROXY WILL REVOKE (OR BE USED BY THE PROXIES TO REVOKE) ANY PRIOR PROXY DELIVERED IN CONNECTION WITH THE VALIDUS SPECIAL MEETING OF SHAREHOLDERS.**

**(Continued and to be marked, dated and signed, on the other side)**

**Table of Contents**

**THERE ARE THREE WAYS TO AUTHORIZE THE PROXIES TO CAST YOUR VOTES**

**Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you had returned your proxy card. We encourage you to use these cost effective and convenient ways of voting, 24 hours a day, 7 days a week.**

**TELEPHONE VOTING**

On a touch tone telephone, call **TOLL FREE (866) 367-5524**, 24 hours a day, 7 days a week. You will be asked to enter ONLY the CONTROL NUMBER shown below. Have your instruction card ready, and then follow the prerecorded instructions. Your instructions will be confirmed and votes cast as you direct. This method is available until 11:59 p.m., Eastern Daylight Time on \_\_\_\_\_, 2009.

**INTERNET VOTING**

Visit the Internet website at <http://proxy.georgeson.com>. Enter the COMPANY NUMBER and CONTROL NUMBER shown below and follow the instructions on your screen. You will incur only your usual Internet charges. This method is available until 11:59 p.m., Eastern Daylight Time on \_\_\_\_\_, 2009.

**VOTING BY MAIL**

Simply complete, sign and date your proxy card and return it in the postage-paid envelope. If you are using telephone or the Internet, please do not mail your proxy card.

COMPANY NUMBER

CONTROL NUMBER

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSALS BELOW.**

**Vote on Proposal**

|  |     |         |         |
|--|-----|---------|---------|
|  | For | Against | Abstain |
| (1) To approve the issuance of voting common shares, \$0.175 par value per share of Validus Holdings, Ltd., in connection with the acquisition of all of the outstanding shares of IPC Holdings, Ltd. Pursuant to the Validus Amalgamation Agreement, the Exchange Offer, the Scheme of Arrangement (each, as defined in the enclosed proxy statement) or otherwise. | o   | o       | o       |

|  |   |   |   |
|--|---|---|---|
| (2) To adjourn or postpone the Validus Special Meeting of Shareholders of Validus Shares, in the proxies' discretion, to solicit additional proxies. In their discretion, the proxies are authorized to vote and otherwise represent the undersigned on such other matters as may properly come before the Validus Special Meeting of Shareholders of Validus Shares or any adjournment or postponement thereof. | o | o | o |
|--|---|---|---|

Please sign exactly as your name(s) appear(s) hereon. If you are acting as an attorney-in-fact, corporate officer, or in a fiduciary capacity, please indicate the capacity in which you are signing.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners)

Date

