

# Talbot Holdings Ltd

INVESTOR PRESENTATION – THIRD QUARTER 2015



## Cautionary Note Regarding Forward-looking Statements

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This presentation may include forward-looking statements, both with respect to us and our industry, that reflect our 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 forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties. 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. We believe that these factors include, but are not limited to, the following: 1) unpredictability and severity of catastrophic events; 2) rating agency actions; 3) adequacy of our risk management and loss limitation methods; 4) cyclical nature of demand and pricing in the insurance and reinsurance markets; 5) statutory or regulatory developments including tax policy, reinsurance and other regulatory matters; 6) our ability to implement its business strategy during “soft” as well as “hard” markets; 7) adequacy of our loss reserves; 8) continued availability of capital and financing; 9) retention of key personnel; 10) competition; 11) potential loss of business from one or more major insurance or reinsurance brokers; 12) our 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; 13) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 14) the integration of businesses we may acquire or new business ventures we may start; 15) the effect on our investment portfolios of changing financial market conditions including inflation, interest rates, liquidity and other factors; 16) acts of terrorism or outbreak of war; and 17) availability of reinsurance and retrocessional coverage, 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 Holdings, Ltd.’s most recent reports on Form 10-K and Form 10-Q and other documents on file with the Securities and Exchange Commission. Any forward-looking statements made in this presentation are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

## Talbot Underwriting Ltd

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- One of the core operating businesses of Validus Holdings, Ltd.
  - Founded in 2002
  - Acquired by Validus in 2007
- Significant competitive position - The 11<sup>th</sup> largest Syndicate at Lloyd's
- Outstanding management team led by CEO Rupert Atkin
  - 30 years of experience in Lloyd's
  - Chairman of the Lloyd's Market Association, Member of Council of Lloyd's
  - Deputy Chairman of Lloyd's since February 2014
  - Rupert Atkin will retire as Chief Executive Officer of Talbot on February 29, 2016. Peter Bilsby, currently Managing Director of Talbot, will succeed Rupert as Chief Executive Officer on March 1, 2016. Peter has almost 30 years experience of the insurance market.
- Meaningful financial contribution and other benefits to Validus
  - Talbot has provided 25% of Validus net income from 2007- YTD 2015
  - Lloyd's platform allows for significant capital leverage
  - Lloyd's provides global licensing for Validus expansion
  - London is a significant location for (re)insurance talent

## Talbot Underwriting Ltd – Underwriting Philosophy

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- Focus is on short tail business with significant market position in targeted classes
  - The ability to lead business is important
- Talbot is a Lloyd’s market leader in the War and Terror, Energy and Marine classes of business
- Maintain a balanced and diversified portfolio within targeted classes
- Underwriting portfolio protected by a comprehensive reinsurance program
- By design, Talbot is underweight the following classes:
  - Casualty
  - Casualty Treaty
  - Property Treaty
- Strategically placed offices in international hubs – New York, Miami, Santiago, Dubai, Labuan, Sydney, Shanghai and Singapore

## Talbot Underwriting Ltd – Executive Team

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- Executive management team average more than 25 years of market experience
- 300+ staff in eight primary office locations: London, New York, Miami, Santiago, Dubai, Sydney, Shanghai and Singapore
- Rupert Atkin is the Chief Executive Officer of Talbot Underwriting and was the active underwriter for syndicate 1183 from 1991 until 2007
- Talbot's Executive Management Committee:
  - Rupert Atkin, Chief Executive Officer through February 29, 2016
  - Peter Bilsby, Managing Director will replace Rupert as CEO on March 1, 2016
  - Jane Clouting, Head of Governance
  - Michael Gould, Chief Operating Officer
  - Julian Ross, Chief Risk Officer
  - James Skinner, Active Underwriter and Director of Underwriting
  - Nigel Wachman, Chief Financial Officer

# Talbot Underwriting Ltd – Competitive Position at Lloyd’s

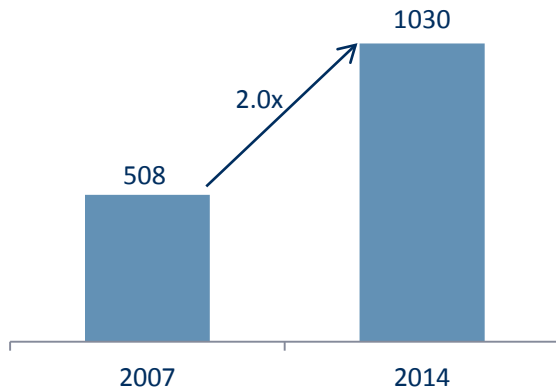
## Syndicate Gross Premium Written

Rank	Managing Agency	Syndicate	GPW
1	Catlin	2003	3,254
2	Amlin	2001	2,534
3	Brit	2987	2,147
4	Beazley	0623/2623	2,074
5	Liberty	4472	2,033
6	Tokio Kiln	0510	1,807
7	Chaucer	1084	1,481
8	QBE	2999	1,463
9	Hiscox	0033	1,371
10	Canopus	4444	1,198
11	Talbot	1183	1,102
12	Novae	2007	1,086
13	Ascot	1414	946
14	Munich Re	0457	735
15	Markel	3000	690

# Talbot Holdings Ltd – Growth Since Acquisition

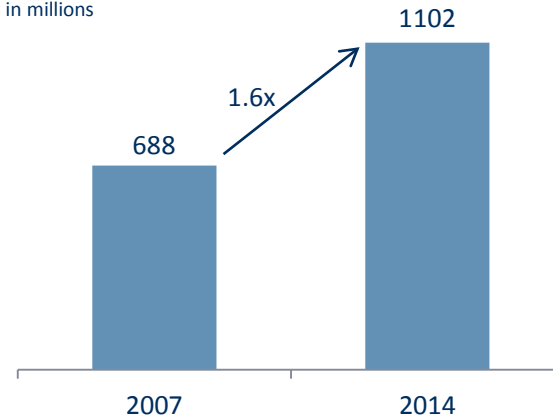
Syndicate Capacity <sup>(1)</sup>

\$ in millions



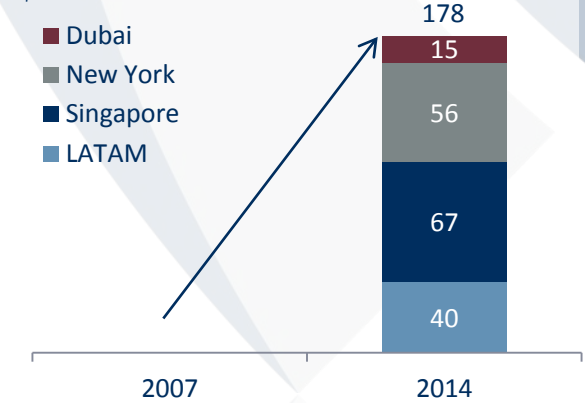
Gross Premium Written<sup>(2)</sup>

\$ in millions



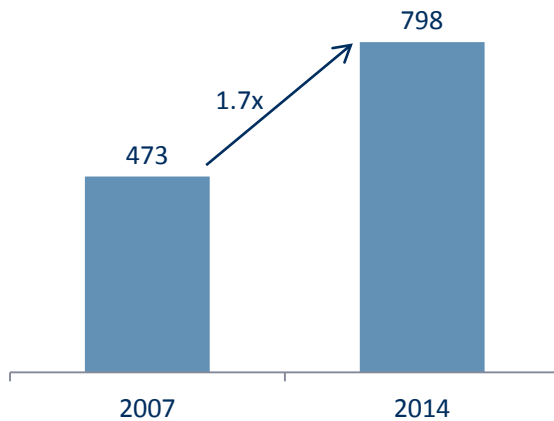
GPW in Overseas Offices

\$ in millions



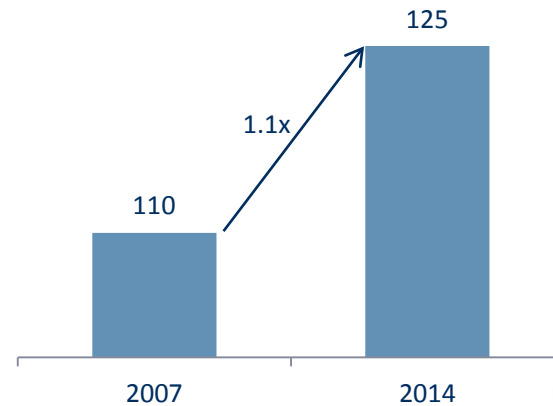
Shareholders' Equity

\$ in millions

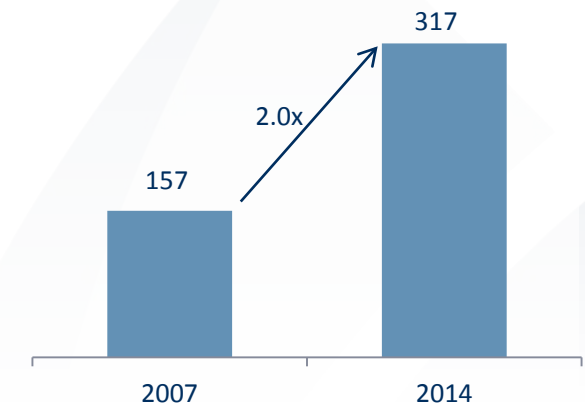


Net Operating Income<sup>(2)</sup>

\$ in millions

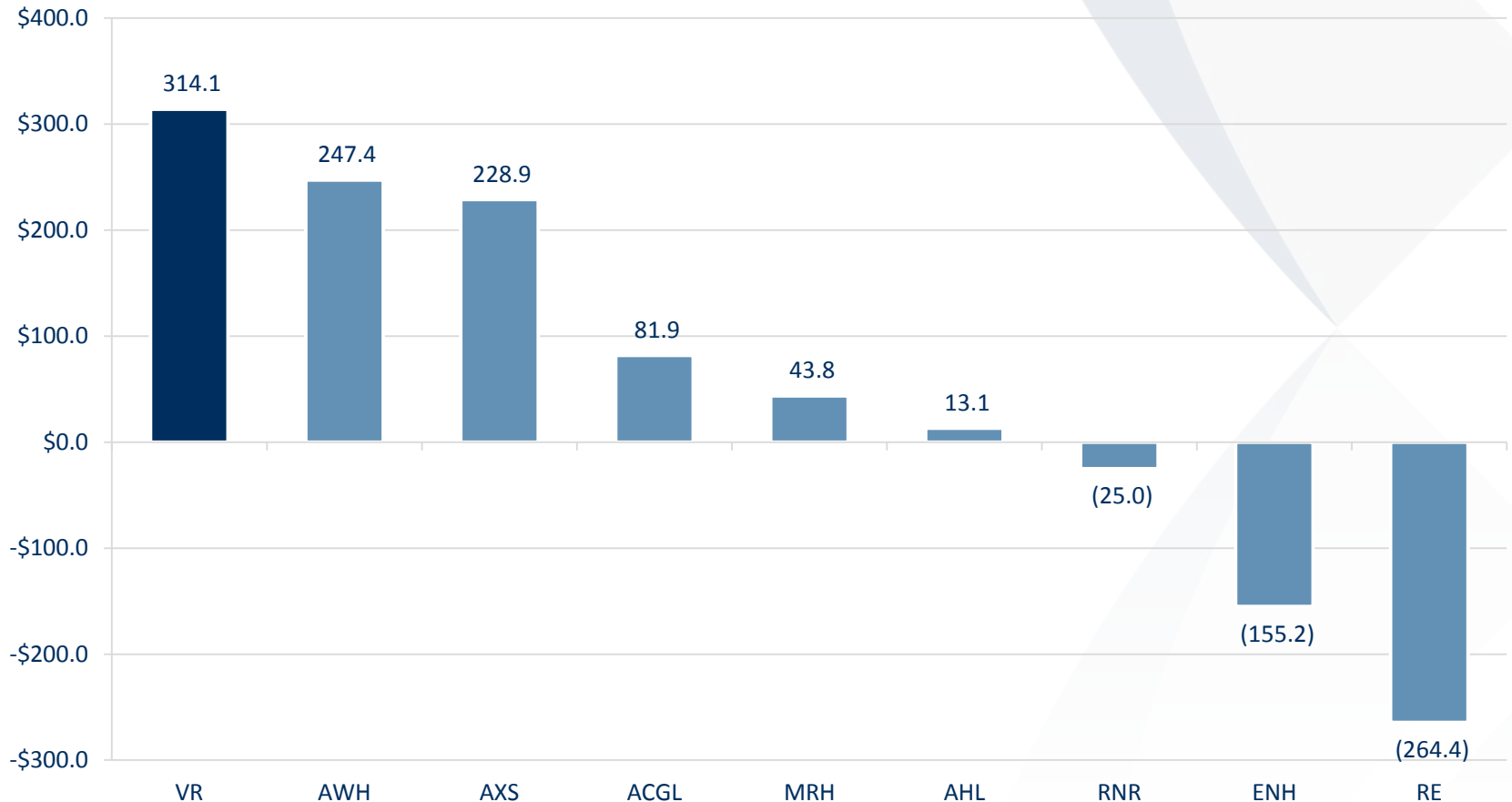


Employees



# Insurance Underwriting Income – Validus vs. Bermuda Peers

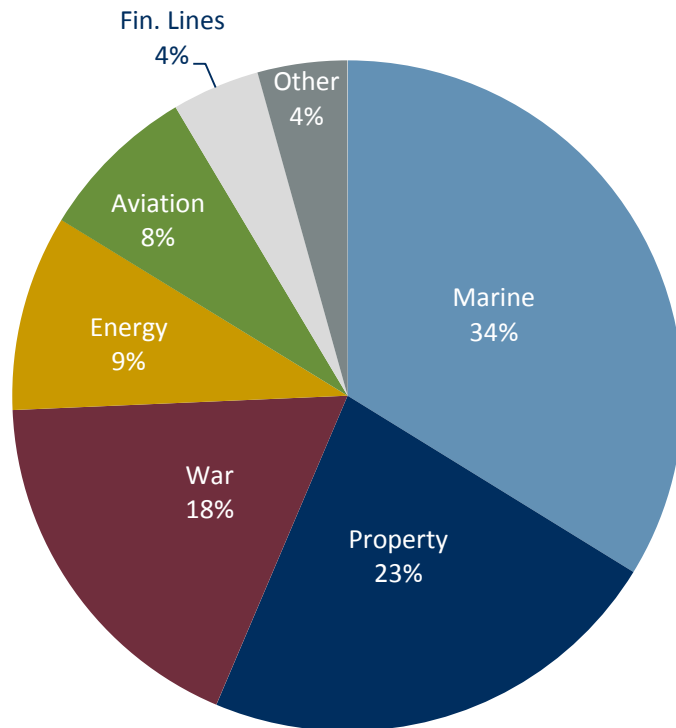
## Insurance Underwriting Income in \$US Millions: 2012 - 2014



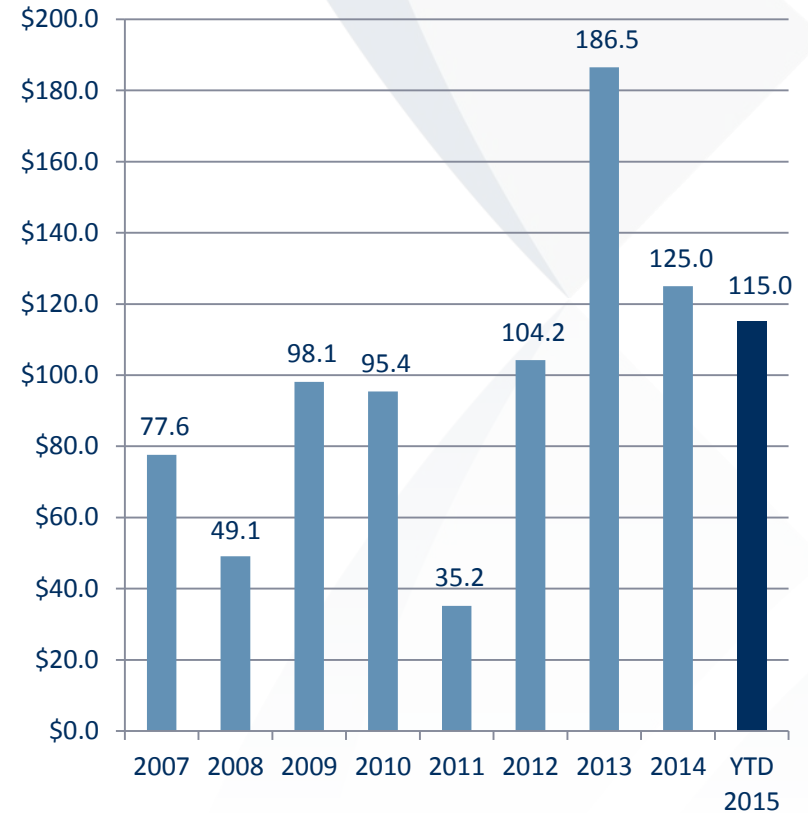


# Talbot Highlights

**Gross Premium Written - \$789.1 Million for nine months ended Sept 30, 2015**

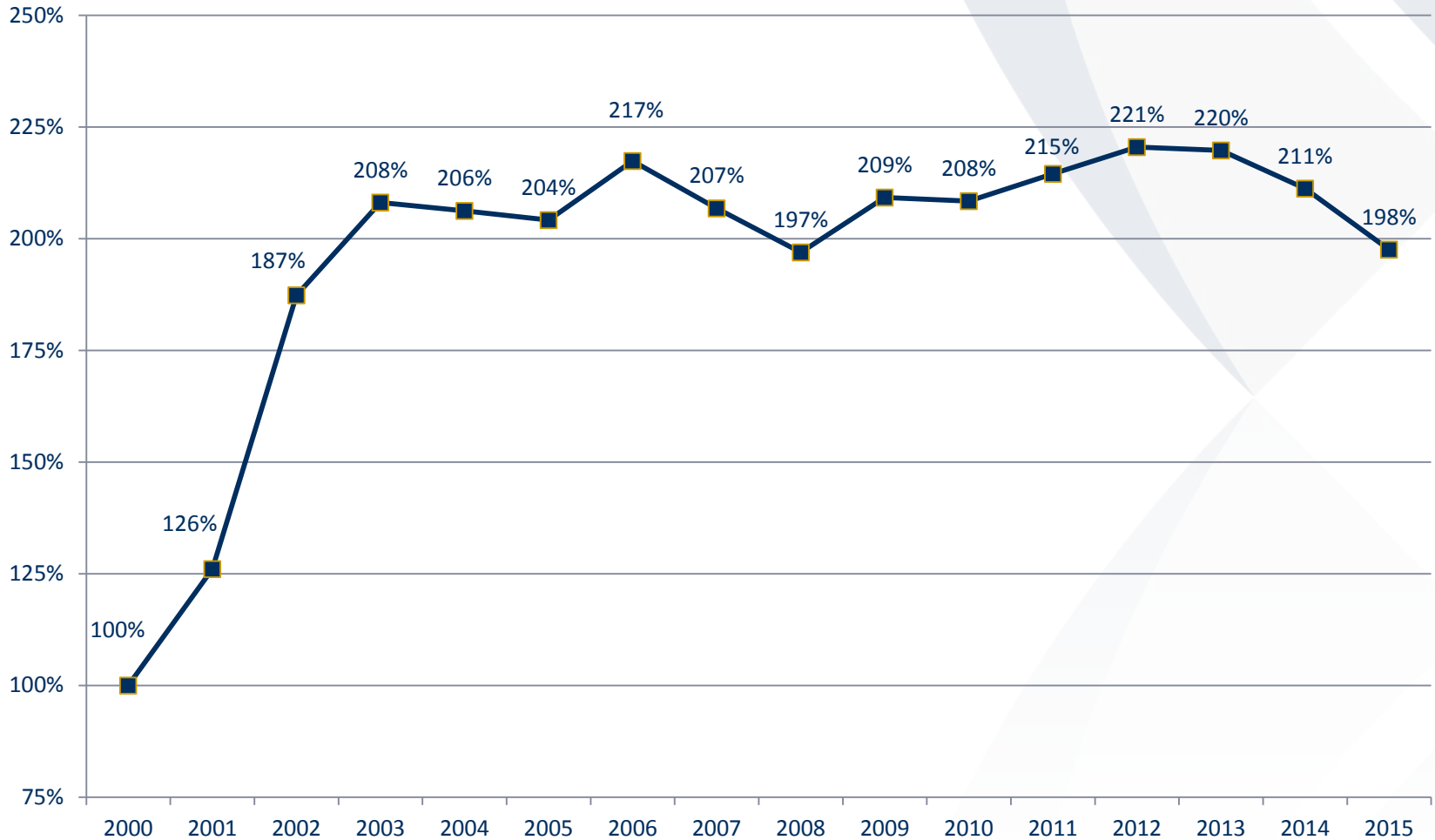


## Net Operating Income



- 1) Energy is Downstream Energy and Power.
- 2) Net operating income is expressed in millions of U.S. Dollars. YTD 2015 is through September 30, 2015.
- 3) 2007 net operating income is a partial year value, only from the date of acquisition by Validus on July 2, 2007.

# Talbot Composite Rate Index – The Benefits of Cycle Management



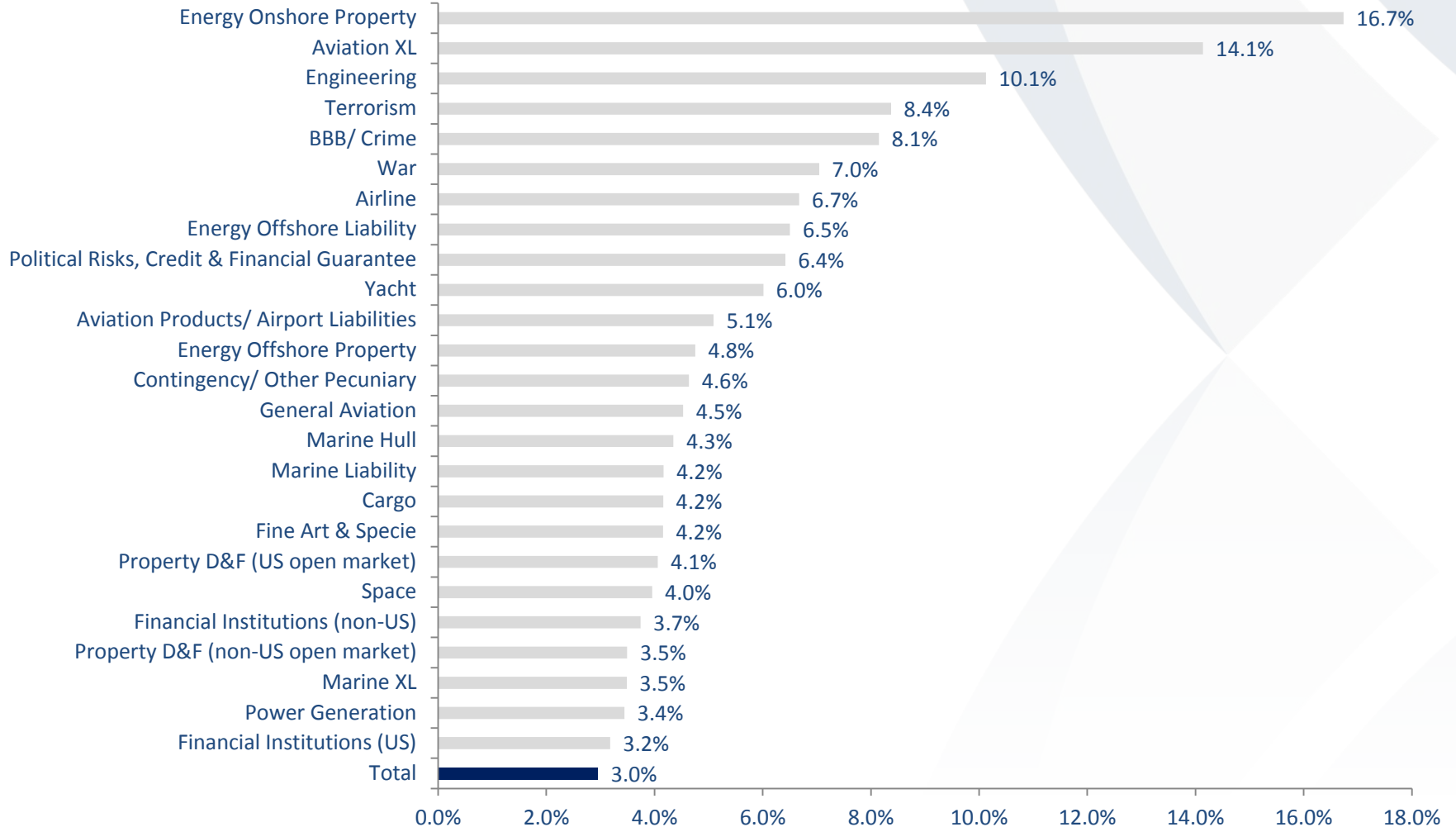
# Talbot Holdings Ltd – Lloyd’s Peer Comparison

June 30, 2015 YTD GAAP Result		Amlin	Beazley	Brit	Hiscox	Novae	Talbot
Gross written premium \$m <sup>2</sup>		3,056.2	1,175.0	1,095.8	1,668.1	704.7	563.1
Net Profit:GWP ratio		6.6%	12.1%	0.6%	11.8%	3.5%	15.7%
Return on Equity <sup>3</sup>		7.7%	9.9%	0.5%	9.0%	4.9%	10.9%
Return on Net Tangible Equity <sup>3</sup>		9.0%	10.6%	0.6%	9.8%	5.0%	12.8%
Debt:Equity ratio		17.7%	19.3%	17.0%	0.0%	23.2%	0.0%
Investment return							
	Bonds/cash	1.1%	1.1%	1.0%	1.1%	0.6%	0.7%
	Higher risk	10.3%	7.7%	5.2%	9.3%	0.0%	0.0%
	Total	4.4%	1.0%	0.4%	1.8%	0.6%	0.7%
Investment allocation							
	Bonds/cash	77.3%	86.8%	94.4%	92.2%	99.8%	100.0%
	Higher risk	22.7%	13.2%	5.6%	7.8%	0.2%	0.0%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- 1) Source: Company accounts and preliminary results press releases.
- 2) Gross premium written is expressed in millions of U.S. Dollars, converted at rate of exchange £1.00 = \$1.52 the average rate for the 6 months ended June 30, 2015.
- 3) Ratio is calculated using the simple average of opening and closing equity or net tangible equity.

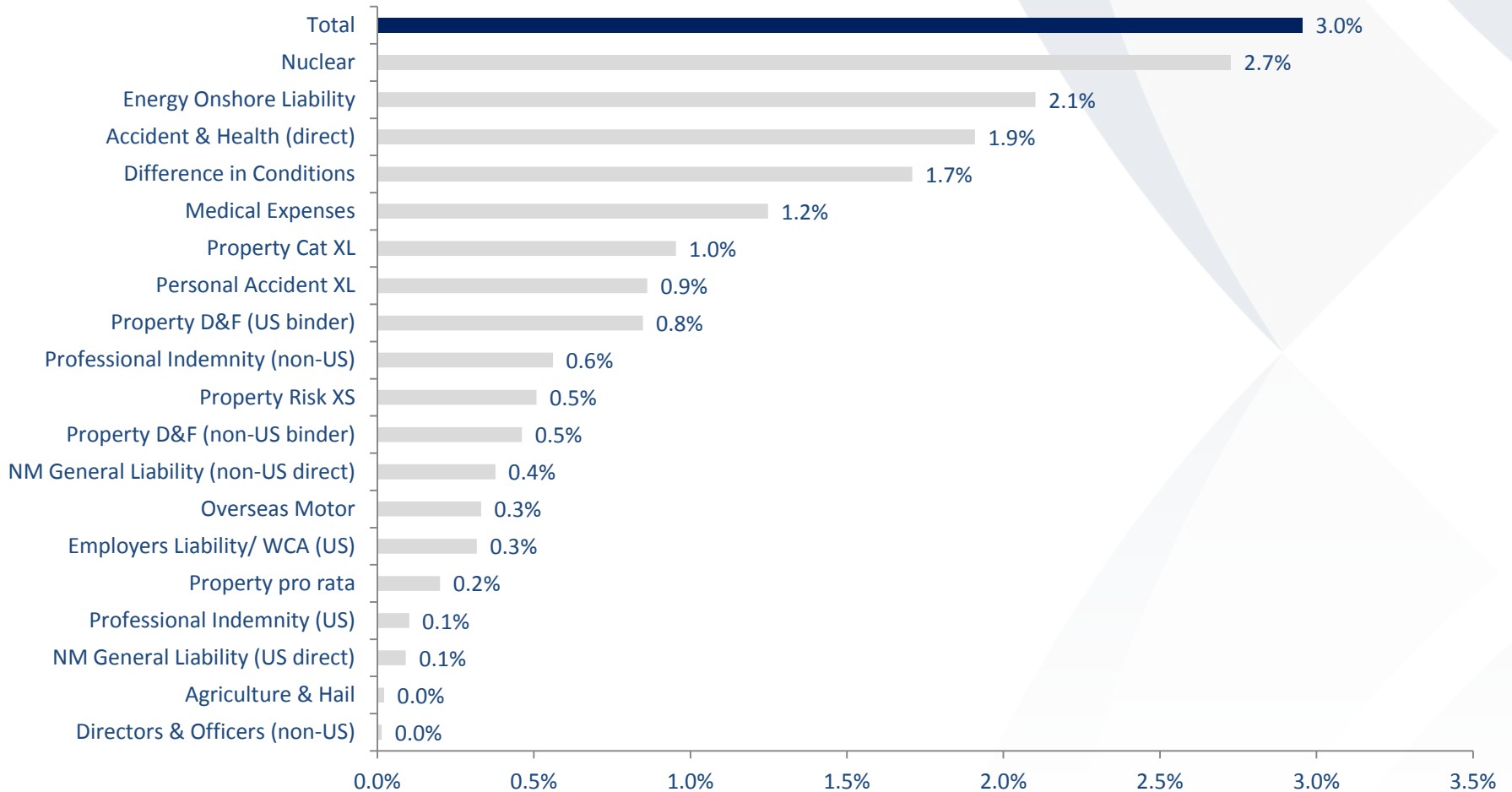
# Talbot Lloyd's Market Share By Class of Business

## Talbot focuses on these Classes of Business

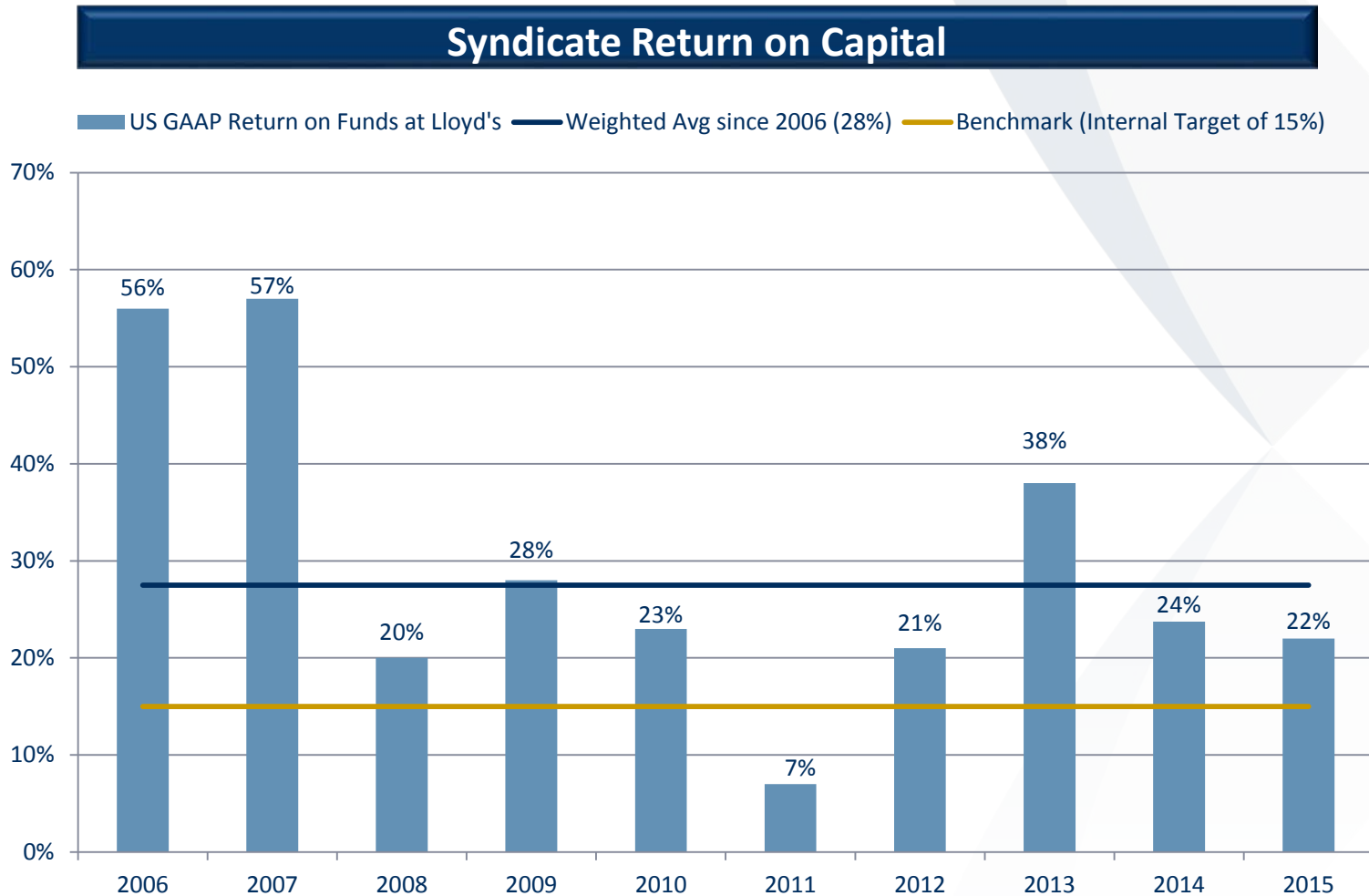


# Talbot Lloyd's Market Share By Class of Business

Talbot is underweight in these Classes of Business

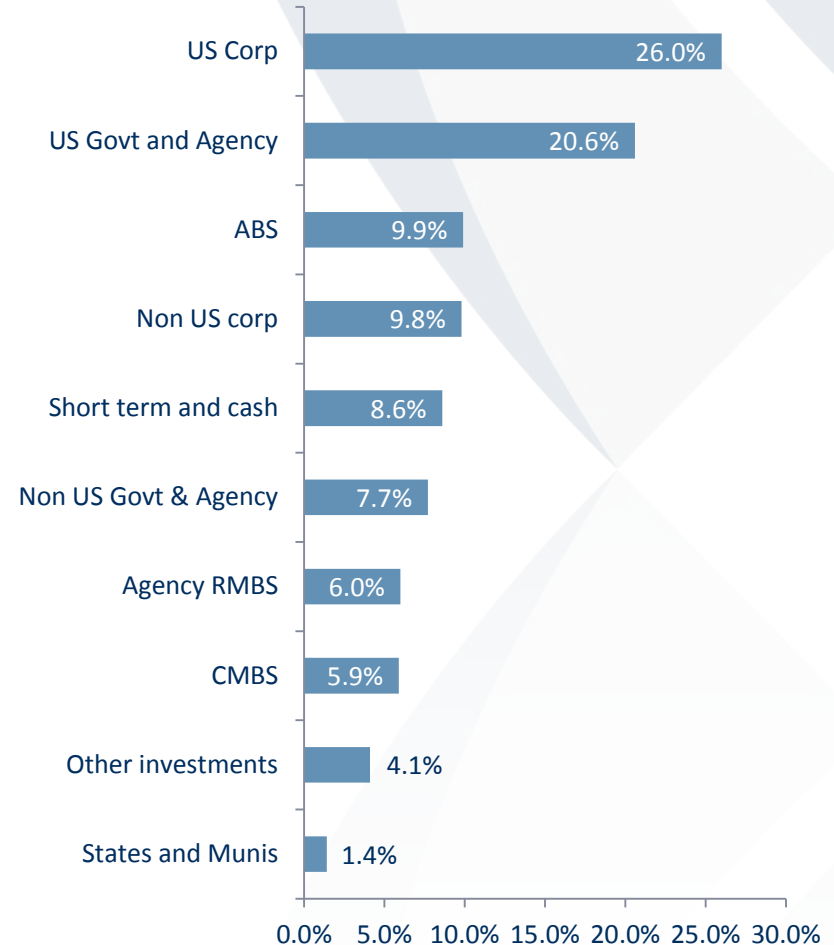


# Talbot Holdings Ltd – Financial Highlights



# Talbot Holdings Ltd – Investment Portfolio as of September 30, 2015

- Total cash and invested assets were **\$1.97 billion**
  - Validus total of \$8.54 billion
  - Emphasis on the preservation of invested assets
  - Provision of sufficient liquidity for prompt payment of claims
- Average portfolio rating of **AA-**
  - Validus rating of AA-
- Duration of **2.23 years**
  - Validus duration is 2.44 years
- 2014 average investment yield: **1.37%**
  - Validus yield of 1.92%



## Talbot Holdings Ltd – Significant Contribution To Validus

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- Meaningful financial contribution
  - Talbot has provided \$879 million of Validus net income from 2007- Sept 30, 2015
- Provides diversification between reinsurance and insurance with a shared focus on short tail classes of business
- Global licensing for Validus expansion efforts – insurance and reinsurance
- Increased profile for Validus within the London and international insurance market
- London is a significant location for insurance industry talent



## Talbot Underwriting Ltd – Well Positioned for 2015 and Beyond

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- A leading Lloyd's business with a track record of success
- Experienced senior management team and strong supporting staff
- Diversified short-tail business mix atypical for Lloyd's
- Prudent management of insurance and operational risks, capital and loss reserves
- Well managed line sizes and an extensive reinsurance program
- Mutually beneficial relationship with parent company, Validus Holdings, Ltd.

# Notes on Non-GAAP and Other Financial and Exposure Measures

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In presenting the Company's results herein, management has included and discussed certain schedules containing underwriting income (loss), net operating income (loss) available (attributable) to Validus, managed gross premiums written, annualized return on average equity and diluted book value per common share that are not calculated under standards or rules that comprise U.S. GAAP. Such measures are referred to as non-GAAP. Non-GAAP measures may be defined or calculated differently by other companies. We believe that these measures are important to investors and other interested parties. These measures should not be viewed as a substitute for those determined in accordance with U.S. GAAP.

The underwriting results of an insurance or reinsurance company are often measured by reference to its underwriting income because underwriting income indicates the performance of the company's core underwriting function. Underwriting income is reconciled to net income by the addition or subtraction of net investment income, finance expenses, transaction expenses, net realized gains (losses) on investments, net unrealized gains (losses) on investments, income (loss) from investment affiliates and foreign exchange gains (losses).

Net operating income (loss) available (attributable) to Validus is calculated based on net income (loss) available (attributable) to Validus excluding net realized gains (losses), net unrealized gains (losses) on investments, income (loss) from investment affiliates, gains (losses) arising from translation of non-US\$ denominated balances and non-recurring items. Net income is the most directly comparable GAAP measure. Net operating income focuses on the underlying fundamentals of our operations without the influence of realized gains (losses) from the sale of investments, net unrealized gains (losses) on investments, translation of non-US\$ currencies and non-recurring items. Realized gains (losses) from the sale of investments are driven by the timing of the disposition of investments, not by our operating performance. Gains (losses) arising from translation of non-US\$ denominated balances are unrelated to our underlying business.

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



**For more information on our company, products and management team please visit our website at:  
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