

VALIDUS HOLDINGS LTD
Form 10-Q
May 02, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

Commission file number 001-33606

VALIDUS HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

BERMUDA (State or other jurisdiction of incorporation or organization)	98-0501001 (I.R.S. Employer Identification No.)
29 Richmond Road, Pembroke, Bermuda HM 08 (Address of principal executive offices and zip code) (441) 278-9000 (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 30, 2014 there were 90,786,820 outstanding Common Shares, \$0.175 par value per share, of the registrant.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Validus Holdings, Ltd.

Consolidated Balance Sheets

As at March 31, 2014 (unaudited) and December 31, 2013

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

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Fixed maturities, at fair value (amortized cost: 2014—\$5,263,024; 2013—\$5,522,853)	\$5,287,600	\$5,542,258
Short-term investments, at fair value (amortized cost: 2014—\$831,679; 2013—\$751,784)	1,800	751,778
Other investments, at fair value (cost: 2014—\$632,924; 2013—\$637,728)	662,974	618,316
Cash and cash equivalents	1,017,350	1,056,346
Total investments and cash	7,799,724	7,968,698
Investments in affiliates	221,607	141,243
Premiums receivable	1,091,391	697,233
Deferred acquisition costs	202,367	134,269
Prepaid reinsurance premiums	218,363	103,251
Securities lending collateral	4,877	3,392
Loss reserves recoverable	348,407	370,154
Paid losses recoverable	37,032	80,080
Intangible assets	105,367	106,407
Goodwill	20,393	20,393
Accrued investment income	16,518	18,876
Other assets	190,043	202,436
Total assets	\$10,256,089	\$9,846,432
Liabilities		
Reserve for losses and loss expenses	\$2,925,059	\$3,030,399
Unearned premiums	1,273,734	824,496
Reinsurance balances payable	212,807	154,874
Securities lending payable	5,343	3,858
Deferred income taxes	22,609	19,086
Net payable for investments purchased	84,303	19,383
Accounts payable and accrued expenses	183,794	278,187
Notes payable to operating affiliates	561,373	439,272
Senior notes payable	247,225	247,198
Debentures payable	541,454	541,416
Total liabilities	\$6,057,701	\$5,558,169
Commitments and contingent liabilities		
Redeemable noncontrolling interest	8,390	86,512
Shareholders' equity		
	\$27,055	\$27,036

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Common shares, 571,428,571 authorized, par value \$0.175 (Issued: 2014—154,597,094; 2013—154,488,497; Outstanding: 2014—90,786,237; 2013—96,044,312)		
Treasury shares (2014—63,810,857; 2013—58,444,185)	(11,167) (10,228)
Additional paid-in-capital	1,490,652	1,677,894
Accumulated other comprehensive (loss)	(155) (617)
Retained earnings	2,142,679	2,010,009
Total shareholders' equity available to Validus	3,649,064	3,704,094
Noncontrolling interest	540,934	497,657
Total shareholders' equity	\$4,189,998	\$4,201,751
Total liabilities, noncontrolling interests and shareholders' equity	\$10,256,089	\$9,846,432
The accompanying notes are an integral part of these consolidated financial statements (unaudited).		

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Validus Holdings, Ltd.

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2014 and 2013 (unaudited)

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

	Three Months Ended	
	March 31, 2014 (unaudited)	March 31, 2013 (unaudited)
Revenues		
Gross premiums written	\$ 1,011,991	\$ 1,104,760
Reinsurance premiums ceded	(194,908)	(187,216)
Net premiums written	817,083	917,544
Change in unearned premiums	(334,126)	(386,483)
Net premiums earned	482,957	531,061
Net investment income	23,362	25,649
Net realized gains on investments	3,740	1,721
Change in net unrealized gains (losses) on investments	55,693	(7,237)
Income from investment affiliate	5,348	1,477
Other income	13,830	2,685
Foreign exchange (losses) gains	(6,478)	6,922