

RENAISSANCERE HOLDINGS LTD

Form 10-Q

July 30, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For The Quarterly Period Ended June 30, 2008

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-14428

**RENAISSANCERE HOLDINGS LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda** **98-014-1974**  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification Number)  
**Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda**  
(Address of principal executive offices)  
**(441) 295-4513**  
(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 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.

Large accelerated filer , Accelerated filer , Non-accelerated filer , Smaller reporting company .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of outstanding shares of RenaissanceRe Holdings Ltd.'s common shares, par value US \$1.00 per share, as of July 24, 2008 was 61,237,784.

Total number of pages in this report: 59

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**RenaissanceRe Holdings Ltd.**

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**Table of Contents****PART 1 FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Balance Sheets**

(in thousands of United States Dollars)

|   | <b>June 30, 2008<br/>(Unaudited)</b> | <b>December 31, 2007<br/>(Audited)</b> |
|---|--------------------------------------|--|
| <b>Assets</b>   |                                      |  |
| Fixed maturity investments available for sale, at fair value<br>(Amortized cost \$3,736,403 and \$3,863,902 at June 30, 2008 and December 31, 2007, respectively) | \$ 3,775,345                         | \$ 3,914,363                           |
| Short term investments, at fair value   | 1,400,884                            | 1,821,549                              |
| Other investments, at fair value  | 927,247                              | 807,864                                |
| Investments in other ventures, under equity method  | 104,438                              | 90,572                                 |
| <b>Total investments</b>  | <b>6,207,914</b>                     | <b>6,634,348</b>                       |
| Cash and cash equivalents   | 262,951                              | 330,226                                |
| Premiums receivable   | 965,955                              | 475,075                                |
| Ceded reinsurance balances  | 206,888                              | 107,916                                |
| Losses recoverable  | 191,789                              | 183,275                                |
| Accrued investment income   | 32,976                               | 39,084                                 |
| Deferred acquisition costs  | 134,319                              | 104,212                                |
| Receivable for investments sold   | 209,320                              | 144,037                                |
| Other secured assets  | 107,025                              | 90,488                                 |
| Other assets  | 156,970                              | 171,457                                |
| Goodwill and other intangibles  | 74,169                               | 6,237                                  |
| <b>Total assets</b>   | <b>\$ 8,550,276</b>                  | <b>\$ 8,286,355</b>                    |
| <b>Liabilities, Minority Interest and Shareholders Equity</b>   |                                      |  |
| <b>Liabilities</b>  |                                      |  |
| Reserve for claims and claim expenses   | \$ 2,009,803                         | \$ 2,028,496                           |
| Reserve for unearned premiums   | 993,959                              | 563,336                                |
| Debt  | 450,000                              | 451,951                                |
| Reinsurance balances payable  | 408,775                              | 275,430                                |
| Payable for investments purchased   | 247,482                              | 422,974                                |
| Other secured liabilities   | 106,420                              | 88,920                                 |
| Other liabilities   | 165,905                              | 162,294                                |
| <b>Total liabilities</b>  | <b>4,382,344</b>                     | <b>3,993,401</b>                       |
| <b>Commitments and Contingencies</b>  |                                      |  |
| Minority Interest - DaVinciRe   | 794,499                              | 815,451                                |
| <b>Shareholders Equity</b>  |                                      |  |
| Preference shares   | 650,000                              | 650,000                                |
| Common shares   | 62,862                               | 68,920                                 |
| Additional paid-in capital  |                                      | 107,867                                |

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|   |                     |                     |
|---|---------------------|---------------------|
| Accumulated other comprehensive income                              | 35,562              | 44,719              |
| Retained earnings   | 2,625,009           | 2,605,997           |
| <b>Total shareholders equity</b>                                    | <b>3,373,433</b>    | <b>3,477,503</b>    |
| <b>Total liabilities, minority interest and shareholders equity</b> | <b>\$ 8,550,276</b> | <b>\$ 8,286,355</b> |

*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Operations****For the three and six months ended June 30, 2008 and 2007**

(in thousands of United States Dollars, except per share amounts)

(Unaudited)

|  | Three months ended |                   | Six months ended |                   |
|--|--------------------|-------------------|------------------|-------------------|
|  | June 30, 2008      | June 30, 2007     | June 30, 2008    | June 30, 2007     |
| <b>Revenues</b>  |                    |                   |                  |                   |
| Gross premiums written   | \$ 807,575         | \$ 845,860        | \$ 1,334,613     | \$ 1,478,589      |
| Net premiums written   | \$ 614,022         | \$ 609,842        | \$ 1,017,138     | \$ 1,180,869      |
| Increase in unearned premiums  | (237,449)          | (251,388)         | (331,651)        | (459,797)         |
| Net premiums earned  | 376,573            | 358,454           | 685,487          | 721,072           |
| Net investment income  | 38,685             | 118,140           | 91,188           | 226,155           |
| Net foreign exchange (losses) gains                                    | (231)              | (373)             | 4,705            | 4,794             |
| Equity in earnings of other ventures                                   | 4,872              | 9,675             | 11,122           | 20,376            |
| Other (loss) income  | (24)               | (5,498)           | 7,988            | (7,701)           |
| Net realized losses on investments                                     | (24,161)           | (11,566)          | (34,831)         | (7,481)           |
| <b>Total revenues</b>  | <b>395,714</b>     | <b>468,832</b>    | <b>765,659</b>   | <b>957,215</b>    |
| <b>Expenses</b>  |                    |                   |                  |                   |
| Net claims and claim expenses incurred                                 | 114,217            | 138,854           | 196,373          | 284,846           |
| Acquisition expenses   | 53,613             | 59,509            | 100,041          | 123,238           |
| Operational expenses   | 33,494             | 26,527            | 63,607           | 55,051            |
| Corporate expenses   | 7,111              | 4,927             | 15,814           | 11,931            |
| Interest expense   | 5,937              | 7,195             | 12,741           | 19,174            |
| <b>Total expenses</b>  | <b>214,372</b>     | <b>237,012</b>    | <b>388,576</b>   | <b>494,240</b>    |
| Income before minority interests and taxes                             | 181,342            | 231,820           | 377,083          | 462,975           |
| Minority interest - DaVinciRe  | (41,341)           | (37,399)          | (81,656)         | (66,506)          |
| Income before taxes  | 140,001            | 194,421           | 295,427          | 396,469           |
| Income tax benefit (expense)   | 6,295              | (680)             | (1,391)          | (787)             |
| <b>Net income</b>  | <b>146,296</b>     | <b>193,741</b>    | <b>294,036</b>   | <b>395,682</b>    |
| Dividends on preference shares   | (10,575)           | (10,575)          | (21,150)         | (21,711)          |
| <b>Net income available to common shareholders</b>                     | <b>\$ 135,721</b>  | <b>\$ 183,166</b> | <b>\$272,886</b> | <b>\$ 373,971</b> |
| Net income available to common shareholders per common share - basic   | \$ 2.16            | \$ 2.57           | \$ 4.25          | \$ 5.25           |
| Net income available to common shareholders per common share - diluted | \$ 2.13            | \$ 2.53           | \$ 4.18          | \$ 5.16           |
| Dividends per common share   | \$ 0.23            | \$ 0.22           | \$ 0.46          | \$ 0.44           |

*The accompanying notes are an integral part of these consolidated financial statements.*



**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****For the six months ended June 30, 2008 and 2007**

(in thousands of United States Dollars)

(Unaudited)

|   | <b>Six months ended</b> |                      |
|---|-------------------------|----------------------|
|   | <b>June 30, 2008</b>    | <b>June 30, 2007</b> |
| <b>Preference shares</b>  |                         |                      |
| Balance - January 1   | \$ 650,000              | \$ 800,000           |
| Repurchase of shares  |                         | (150,000)            |
| Balance - June 30   | 650,000                 | 650,000              |
| <b>Common shares</b>  |                         |                      |
| Balance - January 1   | 68,920                  | 72,140               |
| Repurchase of shares  | (6,435)                 | (223)                |
| Exercise of options and issuance of restricted stock and awards               | 377                     | 349                  |
| Balance - June 30   | 62,862                  | 72,266               |
| <b>Additional paid-in capital</b>   |                         |                      |
| Balance - January 1   | 107,867                 | 284,123              |
| Repurchase of shares  | (121,841)               | (10,896)             |
| Exercise of options and issuance of restricted stock and awards               | 13,974                  | 10,466               |
| Balance - June 30   |                         | 283,693              |
| <b>Accumulated other comprehensive income</b>                                 |                         |                      |
| Balance - January 1   | 44,719                  | 25,217               |
| Net unrealized losses on securities, net of adjustment (see disclosure below) | (9,157)                 | (12,278)             |
| Balance - June 30   | 35,562                  | 12,939               |
| <b>Retained earnings</b>  |                         |                      |
| Balance - January 1   | 2,605,997               | 2,099,017            |
| Net income  | 294,036                 | 395,682              |
| Repurchase of shares  | (224,300)               |                      |
| Dividends on common shares  | (29,574)                | (31,848)             |
| Dividends on preference shares  | (21,150)                | (21,711)             |
| Balance - June 30   | 2,625,009               | 2,441,140            |
| Total Shareholders' Equity  | \$ 3,373,433            | \$ 3,460,038         |
| <b>Comprehensive income (1)</b>   |                         |                      |



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|   |             |             |
|---|-------------|-------------|
| Net income  | \$ 294,036  | \$ 395,682  |
| Other comprehensive loss                              | (9,157)     | (12,278)    |
| Comprehensive income                                  | \$ 284,879  | \$ 383,404  |
| <b>Disclosure regarding net unrealized losses</b>     |             |             |
| Net unrealized holding losses arising during the year | \$ (43,988) | \$ (19,759) |
| Net realized losses included in net income            | 34,831      | 7,481       |
| Net unrealized losses on securities                   | \$ (9,157)  | \$ (12,278) |

- (1) Comprehensive income was \$116.5 million and \$179.3 million for the three months ended June 30, 2008 and 2007, respectively.  
*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Cash Flows****For the six months ended June 30, 2008 and 2007**

(in thousands of United States dollars)

(Unaudited)

|  | Six months ended |                |
|--|------------------|----------------|
|  | June 30,<br>2008 | June 30, 2007  |
| <b><i>Cash flows provided by operating activities</i></b>                                      |                  |                |
| Net income   | \$ 294,036       | \$ 395,682     |
| <b><i>Adjustments to reconcile net income to net cash provided by operating activities</i></b> |                  |                |
| Amortization and depreciation  | (535)            | (6,984)        |
| Net realized losses on investments   | 34,831           | 7,481          |
| Equity in undistributed earnings of other ventures   | 6,030            | (7,615)        |
| Net unrealized losses (gains) included in investment income                                    | 49,756           | (48,231)       |
| Net unrealized losses (gains) included in other (loss) income                                  | 7,227            | (8,478)        |
| Minority interest in undistributed net income of DaVinciRe                                     | 81,656           | 66,506         |
| Change in:   |                  |                |
| Premiums receivable  | (490,880)        | (508,507)      |
| Ceded reinsurance balances   | (98,972)         | (107,517)      |
| Deferred acquisition costs   | (30,107)         | (65,013)       |
| Reserve for claims and claim expenses, net   | (27,207)         | 94,925         |
| Reserve for unearned premiums  | 430,623          | 567,315        |
| Reinsurance balances payable   | 133,345          | (50,138)       |
| Other  | (12,867)         | 11,946         |
| <b><i>Net cash provided by operating activities</i></b>  | <b>376,936</b>   | <b>341,372</b> |
| <b><i>Cash flows provided by investing activities</i></b>                                      |                  |                |
| Proceeds from sales and maturities of investments available for sale                           | 5,971,872        | 1,322,606      |
| Purchases of investments available for sale  | (6,115,709)      | (1,422,001)    |
| Net sales of short term investments  | 420,665          | 142,799        |
| Net purchases of other investments   | (163,356)        | (17,211)       |
| Net (purchases) sales of investments in other ventures   | (19,350)         | 2,262          |
| Net purchase of subsidiaries   | (76,631)         |                |
| <b><i>Net cash provided by investing activities</i></b>  | <b>17,491</b>    | <b>28,455</b>  |
| <b><i>Cash flows used in financing activities</i></b>  |                  |                |
| Dividends paid - common shares   | (29,574)         | (31,848)       |
| Dividends paid - preference shares   | (21,150)         | (21,711)       |
| RenaissanceRe common share repurchase  | (352,576)        | (11,119)       |
| DaVinciRe share repurchase   | (100,000)        |                |
| Third party DaVinciRe share repurchase   | 43,549           |                |
| Net repayment of debt  | (1,951)          |                |

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|   |            |            |
|---|------------|------------|
| Redemption of Series A preference shares                    |            | (150,000)  |
| Redemption of capital securities                            |            | (103,093)  |
| <i>Net cash used in financing activities</i>                | (461,702)  | (317,771)  |
| <i>Net (decrease) increase in cash and cash equivalents</i> | (67,275)   | 52,056     |
| <i>Cash and cash equivalents, beginning of period</i>       | 330,226    | 214,399    |
| <i>Cash and cash equivalents, end of period</i>             | \$ 262,951 | \$ 266,455 |

*The accompanying notes are an integral part of these consolidated financial statements.*

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**RenaissanceRe Holdings Ltd. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

**(Expressed in U.S. Dollars) (Unaudited)**

1. The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ( GAAP ) for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. The preparation of unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses, losses recoverable, including allowances for losses recoverable deemed uncollectible, estimates of written and earned premiums, the fair value of other investments and financial instruments and the Company's deferred tax asset valuation allowance. This report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2007. RenaissanceRe Holdings Ltd. and Subsidiaries include the following principal entities:

RenaissanceRe Holdings Ltd. ( RenaissanceRe or the Company ), was formed under the laws of Bermuda on June 7, 1993. Through its subsidiaries, the Company provides reinsurance and insurance to a broad range of customers.

Renaissance Reinsurance Ltd. ( Renaissance Reinsurance ) is the Company's principal subsidiary and provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.

The Company also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, principally including Top Layer Reinsurance Ltd. ( Top Layer Re ) and Starbound Reinsurance II Ltd. ( Starbound II ), both recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. ( DaVinci ). Because the Company owns a minority equity interest in, but controls a majority of the outstanding voting power of, DaVinci's parent, DaVinciRe Holdings Ltd. ( DaVinciRe ), the results of DaVinci and DaVinciRe are consolidated in the Company's financial statements. Minority interest represents the interests of external parties with respect to the net income and shareholders' equity of DaVinciRe. Renaissance Underwriting Managers Ltd. ( RUM ), a wholly owned subsidiary, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.

The Company's Individual Risk operations include direct insurance and quota share reinsurance written through the operating subsidiaries of Glencoe Group Holdings Ltd. ( Glencoe Group ). These operating subsidiaries principally include Stonington Insurance Company ( Stonington ), which writes business on an admitted basis, and Glencoe Insurance Ltd. ( Glencoe ) and Lantana Insurance Ltd. ( Lantana ), which write business on an excess and surplus lines basis, and also provide reinsurance coverage, principally through quota share contracts, which are analyzed on an individual risk basis.

Certain comparative information has been reclassified to conform to the current presentation. Because of the seasonality of the Company's business, the results of operations and cash flows for any interim period will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

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2. The Company purchases reinsurance and other protection to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses from reinsurers generally in excess of various retentions or on a proportional basis. The Company remains liable to the extent that any third-party reinsurer or other obligor fails to meet its obligations. The earned reinsurance premiums ceded were \$218.5 million and \$190.2 million for the six months ended June 30, 2008 and 2007, respectively. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for recoveries of additional premiums, reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to other reinsurance contracts. Total reinsurance recoveries netted against claims and claim expenses incurred for the six months ended June 30, 2008 were \$38.1 million compared to \$62.4 million for the six months ended June 30, 2007.
3. Basic earnings per common share is based on weighted average common shares and excludes any dilutive effects of stock options and restricted stock. Diluted income per common share assumes the exercise of all dilutive stock options and restricted stock grants. The following tables set forth the computation of basic and diluted income per common share for the three and six months ended June 30, 2008 and 2007:

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars, except share and per share data)</b> | <b>2008</b> | <b>2007</b> |
|--|-------------|-------------|
| <b>Numerator:</b>  |             |             |
| Net income available to common shareholders  | \$ 135,721  | \$ 183,166  |
| <b>Denominator:</b>  |             |             |
| Denominator for basic income per common share -  |             |             |
| Weighted average common shares   | 62,921,007  | 71,258,606  |
| Per common share equivalents of employee stock options and restricted shares                           | 956,561     | 1,171,024   |
| Denominator for diluted income per common share -  |             |             |
| Adjusted weighted average common shares and assumed conversions  | 63,877,568  | 72,429,630  |
| Basic income per common share  | \$ 2.16     | \$ 2.57     |
| Diluted income per common share  | \$ 2.13     | \$ 2.53     |

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| Six months ended June 30,<br>(in thousands of U.S. dollars, except share and per share data) | 2008       | 2007       |
|--|------------|------------|
| Numerator:   |            |            |
| Net income attributable to common shareholders   | \$ 272,886 | \$ 373,971 |
| Denominator:   |            |            |
| Denominator for basic income per common share -  |            |            |
| Weighted average common shares   | 64,224,453 | 71,269,626 |
| Per common share equivalents of employee stock options and restricted shares                 | 1,115,850  | 1,201,970  |
| Denominator for diluted income per common share -  |            |            |
| Adjusted weighted average common shares and assumed conversions                              | 65,340,303 | 72,471,596 |
| Basic income per common share  | \$ 4.25    | \$ 5.25    |
| Diluted income per common share  | \$ 4.18    | \$ 5.16    |

4. The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of \$0.23 per share to shareholders of record on each of March 14 and June 13, 2008.

The Board of Directors increased its authorized share repurchase program to \$500.0 million on May 20, 2008, of which \$383.4 million remained available at July 24, 2008. The Company repurchased \$352.6 million of shares during the six months ended June 30, 2008. Future repurchases of common shares will depend on, among other matters, the market price of the common shares and the capital requirements of RenaissanceRe. See Part II, Item 2 Unregistered Sales of Equity Securities and Use of Proceeds for additional information.

5. The Company conducts its business through two reportable segments, Reinsurance and Individual Risk. The Company's Reinsurance segment provides reinsurance through its property catastrophe reinsurance and specialty reinsurance business units and through joint ventures and other activities managed by its ventures unit. Only ventures' business activities that appear in the Company's consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in the Company's Reinsurance segment results. The Company's financial results relating to the operating subsidiaries managed by the ventures unit include the financial results of Weather Predict Inc., Weather Predict Consulting Inc., RenRe Investment Managers Ltd. ( RIM ) and Renaissance Trading Ltd. ( Renaissance Trading ) and are included in the Other category of the Company's segment results. Also included in the Other category of the Company's segment results are its investments in other ventures, including Top Layer Re, Starbound II, Tower Hill Holdings Inc. ( Tower Hill ), ChannelRe Holdings Ltd. ( ChannelRe ) and Platinum Underwriters Holdings Ltd. ( Platinum ).

The Company's Individual Risk segment provides primary insurance and quota share reinsurance.

The Company does not manage its assets by segment; accordingly, net investment income and total assets are not allocated to the segments.

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A summary of the significant components of the Company's revenues and expenses for the three and six months ended June 30, 2008 and 2007 is as follows:

| <b>Three months ended June 30, 2008<br/>(in thousands of U.S. dollars, except ratios)</b> | <b>Reinsurance</b> | <b>Individual Risk</b> | <b>Eliminations (1)</b> | <b>Other</b> | <b>Total</b> |
|---|--------------------|------------------------|-------------------------|--------------|--------------|
| Gross premiums written  | \$ 487,793         | \$ 314,845             | \$ 4,937                | \$           | \$ 807,575   |
| Net premiums written  | \$ 353,187         | \$ 260,835             |                         |              | \$ 614,022   |
| Net premiums earned   | \$ 226,286         | \$ 150,287             |                         |              | \$ 376,573   |
| Net claims and claim expenses incurred  | 20,120             | 94,097                 |                         |              | 114,217      |
| Acquisition expenses  | 25,511             | 28,102                 |                         |              | 53,613       |
| Operational expenses  | 22,756             | 10,738                 |                         |              | 33,494       |
| Underwriting income   | \$ 157,899         | \$ 17,350              |                         |              | 175,249      |
| Net investment income   |                    |                        |                         | 38,685       | 38,685       |
| Equity in earnings of other ventures  |                    |                        |                         | 4,872        | 4,872        |
| Other loss  |                    |                        |                         | (24)         | (24)         |
| Interest and preference share dividends   |                    |                        |                         | (16,512)     | (16,512)     |
| Minority interest - DaVinciRe   |                    |                        |                         | (41,341)     | (41,341)     |
| Other items, net  |                    |                        |                         | (1,047)      | (1,047)      |
| Net realized losses on investments  |                    |                        |                         | (24,161)     | (24,161)     |
| Net income available to common shareholders   |                    |                        |                         | \$ (39,528)  | \$ 135,721   |
| Net claims and claim expenses incurred - current accident year                            | \$ 57,861          | \$ 105,926             |                         |              | \$ 163,787   |
| Net claims and claim expenses incurred - prior accident years                             | (37,741)           | (11,829)               |                         |              | (49,570)     |
| Net claims and claim expenses incurred - total  | \$ 20,120          | \$ 94,097              |                         |              | \$ 114,217   |
| Net claims and claim expense ratio - current accident year                                | 25.6%              | 70.5%                  |                         |              | 43.5%        |
| Net claims and claim expense ratio - prior accident years                                 | (16.7)%            | (7.9)%                 |                         |              | (13.2)%      |
| Net claims and claim expense ratio - calendar year  | 8.9%               | 62.6%                  |                         |              | 30.3%        |
| Underwriting expense ratio  | 21.3%              | 25.9%                  |                         |              | 23.2%        |
| Combined ratio  | 30.2%              | 88.5%                  |                         |              | 53.5%        |

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

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| Three months ended June 30, 2007<br>(in thousands of U.S. dollars, except ratios) | Reinsurance | Individual Risk | Eliminations (1) | Other     | Total      |
|---|-------------|-----------------|------------------|-----------|------------|
| Gross premiums written  | \$ 606,215  | \$ 238,391      | \$ 1,254         | \$        | \$ 845,860 |
| Net premiums written  | \$ 428,355  | \$ 181,487      |                  |           | \$ 609,842 |
| Net premiums earned   | \$ 225,987  | \$ 132,467      |                  |           | \$ 358,454 |
| Net claims and claim expenses incurred  | 62,528      | 76,326          |                  |           | 138,854    |
| Acquisition expenses  | 25,927      | 33,582          |                  |           | 59,509     |
| Operational expenses  | 16,451      | 10,076          |                  |           | 26,527     |
| Underwriting income   | \$ 121,081  | \$ 12,483       |                  |           | 133,564    |
| Net investment income   |             |                 |                  | 118,140   | 118,140    |
| Equity in earnings of other ventures  |             |                 |                  | 9,675     | 9,675      |
| Other loss  |             |                 |                  | (5,498)   | (5,498)    |
| Interest and preference share dividends   |             |                 |                  | (17,770)  | (17,770)   |
| Minority interest - DaVinciRe   |             |                 |                  | (37,399)  | (37,399)   |
| Other items, net  |             |                 |                  | (5,980)   | (5,980)    |
| Net realized losses on investments  |             |                 |                  | (11,566)  | (11,566)   |
| Net income available to common shareholders                                       |             |                 |                  | \$ 49,602 | \$ 183,166 |
| Net claims and claim expenses incurred - current accident year                    | \$ 112,208  | \$ 85,793       |                  |           | \$ 198,001 |
| Net claims and claim expenses incurred - prior accident years                     | (49,680)    | (9,467)         |                  |           | (59,147)   |
| Net claims and claim expenses incurred - total                                    | \$ 62,528   | \$ 76,326       |                  |           | \$ 138,854 |
| Net claims and claim expense ratio - current accident year                        | 49.7%       | 64.8%           |                  |           | 55.2%      |
| Net claims and claim expense ratio - prior accident years                         | (22.0)%     | (7.1)%          |                  |           | (16.5)%    |
| Net claims and claim expense ratio - calendar year                                | 27.7%       | 57.7%           |                  |           | 38.7%      |
| Underwriting expense ratio  | 18.8%       | 33.0%           |                  |           | 24.0%      |
| Combined ratio  | 46.5%       | 90.7%           |                  |           | 62.7%      |

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.



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| Six months ended June 30, 2008<br>(in thousands of U.S. dollars, except ratios) | Reinsurance | Individual Risk | Eliminations (1) | Other       | Total        |
|---|-------------|-----------------|------------------|-------------|--------------|
| Gross premiums written  | \$ 931,521  | \$ 395,666      | \$ 7,426         | \$          | \$ 1,334,613 |
| Net premiums written  | \$ 696,107  | \$ 321,031      |                  |             | \$ 1,017,138 |
| Net premiums earned   | \$ 458,513  | \$ 226,974      |                  |             | \$ 685,487   |
| Net claims and claim expenses incurred  | 67,189      | 129,184         |                  |             | 196,373      |
| Acquisition expenses  | 44,026      | 56,015          |                  |             | 100,041      |
| Operational expenses  | 43,895      | 19,712          |                  |             | 63,607       |
| Underwriting income   | \$ 303,403  | \$ 22,063       |                  |             | 325,466      |
| Net investment income   |             |                 |                  | 91,188      | 91,188       |
| Equity in earnings of other ventures  |             |                 |                  | 11,122      | 11,122       |
| Other income  |             |                 |                  | 7,988       | 7,988        |
| Interest and preference share dividends   |             |                 |                  | (33,891)    | (33,891)     |
| Minority interest - DaVinciRe   |             |                 |                  | (81,656)    | (81,656)     |
| Other items, net  |             |                 |                  | (12,500)    | (12,500)     |
| Net realized losses on investments  |             |                 |                  | (34,831)    | (34,831)     |
| Net income available to common shareholders                                     |             |                 |                  | \$ (52,580) | \$ 272,886   |
| Net claims and claim expenses incurred - current accident year                  | \$ 128,437  | \$ 162,591      |                  |             | \$ 291,028   |
| Net claims and claim expenses incurred - prior accident years                   | (61,248)    | (33,407)        |                  |             | (94,655)     |
| Net claims and claim expenses incurred - total                                  | \$ 67,189   | \$ 129,184      |                  |             | \$ 196,373   |
| Net claims and claim expense ratio - current accident year                      | 28.0%       | 71.6%           |                  |             | 42.5%        |
| Net claims and claim expense ratio - prior accident years                       | (13.3)%     | (14.7)%         |                  |             | (13.9)%      |
| Net claims and claim expense ratio - calendar year                              | 14.7%       | 56.9%           |                  |             | 28.6%        |
| Underwriting expense ratio  | 19.1%       | 33.4%           |                  |             | 23.9%        |
| Combined ratio  | 33.8%       | 90.3%           |                  |             | 52.5%        |

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

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| Six months ended June 30, 2007<br>(in thousands of U.S. dollars, except ratios) | Reinsurance  | Individual Risk | Eliminations (1) | Other      | Total        |
|---|--------------|-----------------|------------------|------------|--------------|
| Gross premiums written  | \$ 1,122,182 | \$ 361,707      | \$ (5,300)       | \$         | \$ 1,478,589 |
| Net premiums written  | \$ 904,574   | \$ 276,295      |                  |            | \$ 1,180,869 |
| Net premiums earned   | \$ 480,766   | \$ 240,306      |                  |            | \$ 721,072   |
| Net claims and claim expenses incurred  | 154,655      | 130,191         |                  |            | 284,846      |
| Acquisition expenses  | 54,289       | 68,949          |                  |            | 123,238      |
| Operational expenses  | 34,642       | 20,409          |                  |            | 55,051       |
| Underwriting income   | \$ 237,180   | \$ 20,757       |                  |            | 257,937      |
| Net investment income   |              |                 |                  | 226,155    | 226,155      |
| Equity in earnings of other ventures  |              |                 |                  | 20,376     | 20,376       |
| Other loss  |              |                 |                  | (7,701)    | (7,701)      |
| Interest and preference share dividends   |              |                 |                  | (40,885)   | (40,885)     |
| Minority interest - DaVinciRe   |              |                 |                  | (66,506)   | (66,506)     |
| Other items, net  |              |                 |                  | (7,924)    | (7,924)      |
| Net realized losses on investments  |              |                 |                  | (7,481)    | (7,481)      |
| Net income available to common<br>shareholders                                  |              |                 |                  | \$ 116,034 | \$ 373,971   |
| Net claims and claim expenses incurred -<br>current accident year               | \$ 234,614   | \$ 156,452      |                  |            | \$ 391,066   |
| Net claims and claim expenses incurred -<br>prior accident years                | (79,959)     | (26,261)        |                  |            | (106,220)    |
| Net claims and claim expenses incurred -<br>total                               | \$ 154,655   | \$ 130,191      |                  |            | \$ 284,846   |
| Net claims and claim expense ratio -<br>current accident year                   | 48.8%        | 65.1%           |                  |            | 54.2%        |
| Net claims and claim expense ratio - prior<br>accident years                    | (16.6)%      | (10.9)%         |                  |            | (14.7)%      |
| Net claims and claim expense ratio -<br>calendar year                           | 32.2%        | 54.2%           |                  |            | 39.5%        |
| Underwriting expense ratio  | 18.5%        | 37.2%           |                  |            | 24.7%        |
| Combined ratio  | 50.7%        | 91.4%           |                  |            | 64.2%        |

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

**Table of Contents****6. Fair Value Measurements**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Statement No. 157, *Fair Value Measurements* ( FAS 157 ). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 clarifies that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets and the lowest priority being unobservable data. Further, FAS 157 requires tabular disclosures of the fair value measurements by level within the fair value hierarchy. The Company adopted FAS 157 effective January 1, 2008. The adoption of FAS 157 did not have a material impact on the Company's consolidated statements of operations or financial condition.

Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities that the Company has access to. The fair value is determined by multiplying the quoted price by the quantity held by the Company. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices. Level 3 inputs are based on unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

There have been no material changes in the Company's valuation techniques since the adoption of FAS 157 effective January 1, 2008.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis:

| <b>At June 30, 2008</b><br><b>(in thousands of U.S. dollars)</b> | <b>Total</b>        | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|--|---------------------|---|--|--|
| Fixed maturity investments available for sale                    | \$ 3,775,345        | \$ 648,806  | \$ 3,121,539   | \$ 5,000   |
| Short term investments   | 1,400,884           |   | 1,400,884  |  |
| Other investments  | 927,247             |   | 468,177  | 459,070  |
| Other secured assets   | 107,025             |   | 107,025  |  |
| Other assets and (liabilities) (1)                               | 33,348              | 31,775  | 24,228   | (22,655)   |
|  | <b>\$ 6,243,849</b> | <b>\$ 680,581</b>   | <b>\$ 5,121,853</b>  | <b>\$ 441,415</b>  |

(1) Other assets of \$33.7 million, \$25.1 million and \$7.8 million are included in Level 1, Level 2 and Level 3, respectively. Other liabilities of \$2.0 million, \$0.8 million and \$30.4 million are included in Level 1, Level 2 and Level 3, respectively.

Below is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs:

| <b>Three months ended March 31, 2008</b> | <b>Fair Value Measurements Using Significant Unobservable Inputs<br/>(Level 3)</b> |                                      |                             | <b>Total</b> |
|--|--|--------------------------------------|-----------------------------|--------------|
|  | <b>Fixed<br/>maturity<br/>investments</b>  | <b>Other<br/>investments<br/>(1)</b> | <b>Other assets<br/>and</b> |              |
|  |  |                                      |                             |              |

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|   | available<br>for<br>sale |            | (liabilities)<br>(2) |            |
|---|--------------------------|------------|----------------------|------------|
| <b>(in thousands of U.S. dollars)</b>     |                          |            |                      |            |
| Balance January 1                         | \$ 5,000                 | \$ 375,281 | \$ (9,950)           | \$ 370,331 |
| Total unrealized gains (losses)           |                          |            |                      |            |
| Included in net investment income         |                          | (10,196)   | 668                  | (9,528)    |
| Included in other income                  |                          |            | 6,788                | 6,788      |
| Total realized gains (losses)             |                          |            |                      |            |
| Included in net investment income         |                          | 5,475      |                      | 5,475      |
| Included in other income                  |                          |            | 6,016                | 6,016      |
| Total foreign exchange gains              |                          |            |                      |            |
| Net purchases, issuances, and settlements |                          | 1,214      |                      | 1,214      |
| Net transfers in and/or out of Level 3    |                          | 83,044     | (12,061)             | 70,983     |
| Balance March 31                          | \$ 5,000                 | \$ 454,818 | \$ (8,539)           | \$ 451,279 |

(1) Other investments primarily include investments in private equity partnerships and certain senior secured bank loan funds.

(2) Balance at March 31, 2008, includes \$9.0 million of other assets and \$17.5 million of other liabilities.

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|   | Fair Value Measurements Using Significant Unobservable Inputs<br>(Level 3) |                             |   | Total      |
|---|--|-----------------------------|---|------------|
|   | Fixed maturity<br>investments<br>available<br>for<br>sale                  | Other<br>investments<br>(1) | Other assets<br>and<br>(liabilities)<br>(2) |            |
| <b>Three months ended June 30, 2008</b><br>(in thousands of U.S. dollars) |  |                             |   |            |
| Balance March 31  | \$ 5,000   | \$ 454,818                  | \$ (8,539)                                  | \$ 451,279 |
| Total unrealized gains (losses)   |  |                             |   |            |
| Included in net investment income   |  | (25,193)                    |   | (25,193)   |
| Included in other income  |  | (163)                       | (11,187)                                    | (11,350)   |
| Total realized gains (losses)   |  |                             |   |            |
| Included in net investment income   |  | (631)                       |   | (631)      |
| Included in other income  |  |                             | (5,139)                                     | (5,139)    |
| Total foreign exchange gains  |  | 25                          |   | 25         |
| Net purchases, issuances, and settlements                                 |  | 30,214                      | 2,210                                       | 32,424     |
| Net transfers in and/or out of Level 3                                    |  |                             |   |            |
| Balance June 30   | \$ 5,000   | \$ 459,070                  | \$ (22,655)                                 | \$ 441,415 |

(1) Other investments primarily include investments in private equity partnerships and certain senior secured bank loan funds.

(2) Balance at June 30, 2008, includes \$7.8 million of other assets and \$30.4 million of other liabilities.

Interest and dividend income are included in net investment income and are excluded from the reconciliation in the above table.

#### 7. The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( FAS 159 ). FAS 159 permits an entity to choose, at specified election dates, to measure eligible financial instruments and certain other items at fair value that are not currently required to be measured at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. FAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. FAS 159 became effective for the Company on January 1, 2008. The adoption of FAS 159 did not have a material impact on the Company's consolidated statements of operations or financial condition.

Upon adoption of FAS 159, the Company elected the fair value option for certain assets and liabilities. These assets and liabilities were previously accounted for at fair value under applicable GAAP prior to the adoption of FAS 159, and as such, there were no material changes to the reported value of these assets and liabilities upon adoption. The Company has elected to use the guidance under FAS 159 for these assets and liabilities as FAS 159 represents the most current applicable GAAP. Below is a summary of the balances the Company has elected to account for under FAS 159:

| (in thousands of U.S. dollars)     | June 30,<br>2008 | January 1,<br>2008 |
|------------------------------------|------------------|--------------------|
| Other investments                  | \$ 927,247       | \$ 807,864         |
| Other secured assets               | \$ 107,025       | \$ 90,488          |
| Other assets and (liabilities) (1) | \$ (2,944)       | \$ (6,402)         |

- (1) Balance at June 30, 2008 includes \$1.9 million of other assets and \$4.9 million of other liabilities. Balance at January 1, 2008 includes \$4.6 million of other assets and \$11.0 million of other liabilities. Included in net investment income for the three and six months ended June 30, 2008 is \$24.4 million and \$49.8 million, respectively, of net unrealized losses related to the changes in fair value of other investments. Net unrealized gains (losses) related to the changes in the fair value of other secured assets and other assets and liabilities recorded in other income was \$(0.7) million and \$(21) thousand, respectively, for the three months ended June 30, 2008, and \$(1.0) million and \$0.2 million, respectively, for the six months ended June 30, 2008.
8. On June 2, 2008, the Company acquired substantially all the assets and assumed certain liabilities of Agro National LLC ( Agro National ). Agro National is based in Council Bluffs, Iowa and is a managing general underwriter of multi-peril crop insurance. Agro National offers high quality risk protection products and services to the agricultural community throughout the U.S. Agro National participates in the U.S. Federal government's Multi-Peril Crop Insurance Program and has been writing business on behalf of Stonington, a wholly-owned subsidiary of the Company, since 2004. The base purchase price paid by the Company for Agro National was \$80.5 million, plus additional amounts as determined in accordance with the terms of the asset purchase agreement. In connection with the purchase, the Company recorded \$46.3 million of intangible assets and \$20.4 million of goodwill. The acquisition of Agro National was undertaken to purchase the distribution channel for the Company's multi-peril crop insurance business which was previously conducted through a managing general agency contractual relationship with Agro National. Other factors that added to the value of Agro National included its agent relationships, systems and technology, brand name and workforce. These factors resulted in a purchase price greater than the fair value of the net assets acquired and the recognition of goodwill and intangible assets. The acquisition of the net assets was accounted for using the purchase method in accordance with FASB Statement No. 141, *Business Combinations* ( FAS 141 ).

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The fair value of the assets and liabilities acquired and allocation of purchase price is summarized as follows:

| <b>(in thousands of U.S. dollars)</b>       |           |
|---|-----------|
| Total purchase price                        | \$ 80,500 |
| Assets acquired                             |           |
| Cash and cash equivalents                   | \$ 4,867  |
| Accounts and notes receivable               | 31,241    |
| Property and equipment                      | 378       |
| Software                                    | 12,600    |
| Other assets                                | 14        |
| Tangible assets acquired                    | 49,100    |
| Intangible asset - Agent relationships      | 39,900    |
| Intangible asset - Trade name               | 3,500     |
| Intangible asset - Covenants not-to-compete | 2,900     |
| Intangible assets acquired                  | 46,300    |
| Liabilities acquired                        |           |
| Accounts payable and accrued liabilities    | 35,345    |
| Liabilities acquired                        | 35,345    |
| Excess purchase price - Goodwill            | \$ 20,445 |

Agent relationships represent the value of the existing non-contractual relationships Agro National has with its insurance agents. Agent relationships have a finite estimated useful life of approximately 20 years and will be amortized in proportion to their estimated cash flows. The trade name represents the value of the Agro National brand and is estimated to have a useful life of 25 years. The trade name will be amortized straight line over 25 years. Covenants not-to-compete represent non-compete agreements with key employees of Agro National. These agreements will be amortized straight line over their contractual life which has a weighted average life of approximately four years. Goodwill is estimated to have an indefinite life. The goodwill and intangible assets are recorded entirely in the Company's Individual Risk segment.

The estimated remaining amortization expense for the intangible assets is as follows:

| <b>(in thousands of U.S. dollars)</b> |           |
|---------------------------------------|-----------|
| 2008(1)                               | \$ 4,151  |
| 2009                                  | 4,476     |
| 2010                                  | 4,349     |
| 2011                                  | 4,205     |
| 2012 and thereafter                   | 29,119    |
| Total                                 | \$ 46,300 |

(1) For the six months ending December 31, 2008.

Operating results of Agro National have been included in the consolidated financial statements from June 2, 2008, the date of acquisition. FAS 141 requires the following selected unaudited pro-forma information be provided to present a summary of the combined results of the Company and Agro National assuming the transaction had been effective January 1, 2007 and 2008, respectively. The unaudited pro-forma data is for informational purposes only and does not necessarily represent results that would have occurred if the transaction had taken place on the basis assumed above.





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| (in thousands of U.S. dollars)                                       | Six months ended |                  |
|--|------------------|------------------|
|  | June 30,<br>2008 | June 30,<br>2007 |
| Gross premiums written   | \$ 1,334,613     | \$ 1,478,589     |
| Net premiums earned  | \$ 685,487       | \$ 721,072       |
| Total revenue  | \$ 765,659       | \$ 957,215       |
| Total expenses   | \$ 390,844       | \$ 495,280       |
| Net income available to common shareholders                          | \$ 270,618       | \$ 372,931       |
| Net income available to common shareholders per common share basic   | \$ 4.21          | \$ 5.23          |
| Net income available to common shareholders per common share diluted | \$ 4.14          | \$ 5.14          |

The pro-forma net income available to common shareholders per common share diluted for the six months ended June 30, 2008 and 2007 of \$4.14 and \$5.14, respectively, compares to actual results of \$4.18 and \$5.16 for the six months ended June 30, 2008 and 2007, respectively. The decrease is principally due to the amortization of the intangible assets arising upon acquisition.

Effective April 1, 2008, the Company purchased substantially all the assets of Claims Management Services, Inc. ( CMS ). CMS is based in Roswell, Georgia and is a privately held company specializing in claims administration, adjusting and consulting services for insurance companies, managing general agents, self-insured clients, fronted programs and clients with substantial retentions or deductibles. CMS has a proprietary network of licensed adjusters and offers services on a national basis. The Company will be using CMS for claims services solely for its own business and does not intend at this time to provide claims services to third parties. The base purchase price paid by the Company was \$3.8 million, plus additional amounts as determined in accordance with the terms of the asset purchase agreement. In connection with the purchase, the Company acquired net assets with a fair value of \$0.5 million and recorded \$3.3 million of goodwill. Goodwill is estimated to have an indefinite life and is recorded entirely in the Company s Individual Risk segment.

#### 9. Recently Issued Accounting Pronouncements

##### *Business Combinations and Noncontrolling Interest in Consolidated Financial Statements*

On December 4, 2007, the FASB issued Statement No. 141(R), *Business Combinations* ( FAS 141(R) ) and Statement No. 160, *Noncontrolling Interest in Consolidated Financial Statements – an amendment of ARB No. 51* ( FAS 160 ). These new standards will significantly change the accounting for and reporting of business combination transactions and noncontrolling (minority) interests in consolidated financial statements. FAS 141(R) expands the scope of acquisition accounting to all transactions and circumstances under which control of a business is obtained. Under FAS 160, noncontrolling interests are classified as a component of consolidated shareholders equity and minority interest accounting no longer applies such that earnings attributable to noncontrolling interests are reported as part of consolidated earnings and not as a separate component of income or expense. FAS 141(R) and FAS 160 are required to be adopted simultaneously and are effective for the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. The Company is currently evaluating the potential impacts of the adoption of FAS 141(R) and FAS 160 on its consolidated statements of operations and financial condition when adopted.

10. On July 10, 2008, the Company borrowed \$150.0 million under its revolving credit facility to repay \$150.0 million maturing on its 7.0% Senior Notes which came due July 15, 2008. The \$150.0 million of 7.0% Senior Notes were repaid on July 15, 2008.

11. There are no material changes from the legal proceedings previously disclosed in the Company s Annual Report on Form 10-K, as amended, for the year ended December 31, 2007 and in the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

The Company continues to strive to comply with its settlement agreement with the Securities and Exchange Commission ( SEC ); however, it is possible that we will fail to do so, or that the enforcement staff of the SEC and/or the independent consultant may take issue with our cooperation despite our efforts. Any such failure to comply with the settlement agreement or any perception that we have failed to comply, could adversely affect us, perhaps materially so.

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As disclosed previously by the Company and in publicly available court records, the civil litigation between the SEC and James M. Stanard, the Company's former Chairman and Chief Executive Officer, to which the Company is not a party, is currently scheduled to go to trial in September 2008. Mr. Stanard's motion for summary judgment was recently dismissed. This ongoing matter could give rise to additional costs, distractions, or impacts to the Company's reputation. It is possible that the ongoing investigation into its former officers could give rise to additional investigations or proceedings being commenced against the Company and/or its current or former senior executives in connection with these matters, which could be criminal or civil. While the Company intends to continue to cooperate with the ongoing investigations, the Company is unable to predict the ultimate outcome of these ongoing matters or the ultimate impact these investigations may have on its business, including as to its senior management team.

The Company's operating subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages. Generally, the Company's primary insurance operations are subject to greater frequency and diversity of claims and claims-related litigation and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving claims on policies issued by the Company's subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in its reserves for claims and claim expenses which are discussed in more detail below under Reserves for Claims and Claim Expenses. In addition to claims litigation, the Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This category of business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory activity or disputes arising from the Company's business ventures. Any such litigation or arbitration contains an element of uncertainty, and the Company believes the inherent uncertainty in such matters may have increased recently and will likely continue to increase. Currently, the Company believes that no individual, normal course litigation or arbitration to which the Company is presently a party is likely to have a material adverse effect on its financial condition, business or operations.

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### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following is a discussion and analysis of our results of operations for the three and six months ended June 30, 2008 and 2007. The following also includes a discussion of our financial condition at June 30, 2008. This discussion and analysis should be read in conjunction with the attached unaudited consolidated financial statements and notes thereto and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2007. This filing contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from the results described or implied by these forward-looking statements. We also direct readers to the Note on Forward-Looking Statements included in this filing.

### **OVERVIEW**

RenaissanceRe, established in Bermuda in 1993 to write principally property catastrophe reinsurance, is today a leading global provider of reinsurance and insurance coverages and related services. Through our operating subsidiaries, we seek to obtain a portfolio of reinsurance, insurance and financial risks in each of our businesses that are significantly better than the market average and produce an attractive return on equity. We accomplish this by taking advantage of market dislocations, and leveraging our core capabilities of risk assessment and information management. Overall, our strategy focuses on superior risk selection, capital management, marketing and joint ventures. We provide value to our clients and joint venture partners in the form of financial security, innovative products, and responsive service. We are known as a leader in paying valid reinsurance claims promptly. We principally measure our financial success through long-term growth in tangible book value per common share plus accumulated dividends, which we believe is the most appropriate measure of our Company's performance, and believe we have delivered superior performance in respect of this measure in the past.

Since a substantial portion of the reinsurance and insurance we write provides protection from damages relating to natural and man-made catastrophes, our results depend to a large extent on the frequency and severity of such catastrophic events, and the coverages we offer to clients affected by these events. We are exposed to significant losses from these catastrophic events and other exposures that we cover. Accordingly, we expect a significant degree of volatility in our financial results and our financial results may vary significantly from quarter-to-quarter or from year-to-year, based on the level of insured catastrophic losses occurring around the world.

Our revenues are principally derived from three sources: 1) net premiums earned from the reinsurance and insurance policies we sell; 2) net investment income and realized gains from the investment of our capital funds and the investment of the cash we receive on the policies which we sell; and 3) other income received from our joint ventures, advisory services, weather-trading activities and various other items.

Our expenses primarily consist of: 1) net claims and claim expenses incurred on the policies of reinsurance and insurance we sell; 2) acquisition costs which typically represent a percentage of the premiums we write; 3) operating expenses which primarily consist of personnel expenses, rent and other operating expenses; 4) corporate expenses which include certain executive, legal and consulting expenses, costs for research and development, and other miscellaneous costs associated with operating as a publicly traded company; 5) minority interest, which represents the interest of third parties with respect to the net income of DaVinciRe; and 6) interest and dividend costs related to our debt, preference shares and subordinated obligation to our capital trust. We are also subject to taxes in certain jurisdictions in which we operate; however, since the majority of our income is currently earned in Bermuda, a non-taxable jurisdiction, the tax impact to our operations has historically been minimal. We currently expect our growth outside of Bermuda to result in a higher effective tax rate over time.

The operating results, also known as the underwriting results, of an insurance or reinsurance company are discussed frequently by reference to its net claims and claim expense ratio, underwriting expense ratio, and combined ratio. The net claims and claim expense ratio is calculated by dividing net claims and claim expenses incurred by net premiums earned. The underwriting expense ratio is calculated by dividing

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underwriting expenses (acquisition expenses and operational expenses) by net premiums earned. The combined ratio is the sum of the net claims and claim expense ratio and the underwriting expense ratio. A combined ratio below 100% generally indicates profitable underwriting prior to the consideration of investment income. A combined ratio over 100% generally indicates unprofitable underwriting prior to the consideration of investment income. We also discuss our net claims and claim expense ratio on an accident year basis. This ratio is calculated by taking net claims and claim expenses, excluding development on net claims and claim expenses from events that took place in prior fiscal years, divided by net premiums earned.

We conduct our business through two reportable segments, Reinsurance and Individual Risk. Those segments are more fully described as follows:

### *Reinsurance*

Our Reinsurance segment has three main units:

- 1) Property catastrophe reinsurance, written for our own account and for DaVinci, is our traditional core business. We believe we are one of the world's leading providers of this coverage, based on managed catastrophe gross premiums written. This coverage protects against large natural catastrophes, such as earthquakes, hurricanes and tsunamis, as well as claims arising from other natural and man-made catastrophes such as winter storms, freezes, floods, fires, wind storms, tornadoes, explosions and acts of terrorism. We offer this coverage to insurance companies and other reinsurers primarily on an excess of loss basis. This means that we begin paying when our customers' claims from a catastrophe exceed a certain retained amount.
- 2) Specialty reinsurance, written for our own account and for DaVinci, covering certain targeted classes of business where we believe we have a sound basis for underwriting and pricing the risk that we assume. Our portfolio includes various classes of business, such as catastrophe exposed workers' compensation, surety, terrorism, medical malpractice, casualty clash, catastrophe exposed personal lines property, certain other casualty lines and other specialty lines of reinsurance that we collectively refer to as specialty reinsurance. We believe that we are seen as a market leader in certain of these classes of business, such as casualty clash, surety, catastrophe-exposed workers' compensation and terrorism.
- 3) Through our ventures unit, we pursue joint ventures and other strategic relationships. Our four principal business activities in this area are: 1) property catastrophe joint ventures which we manage, such as Top Layer Re, DaVinci and Starbound II; 2) strategic investments in other market participants, such as our investments in ChannelRe and Platinum, where, rather than assuming exclusive management responsibilities ourselves, we partner with other market participants; 3) weather-related trading activities; and 4) fee-based consulting services, research and development and loss and mitigation activities. Only business activities that appear in our consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in our Reinsurance segment results; our share of the results of Top Layer Re, ChannelRe, Starbound II, Tower Hill, Platinum and our weather-related activities are included in the Other category of our segment results.

### *Individual Risk*

We define our Individual Risk segment to include underwriting that involves understanding the characteristics of the original underlying insurance policy. Our principal contracts include insurance contracts and quota share reinsurance with respect to risks including: 1) commercial multi-line, which includes commercial property and liability coverage, such as general liability, automobile liability and physical damage, building and contents, professional liability and various specialty products; 2) multi-peril crop, which includes multi-peril crop insurance, crop hail, yield-based and revenue insurance plans and other named peril agriculture risk management products; 3) commercial property, which principally includes catastrophe-exposed commercial property products; and 4) personal lines property, which principally includes homeowners personal lines property coverage and catastrophe exposed personal lines property coverage.

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Our Individual Risk business is primarily produced through three distribution channels: 1) program managers where we write primary insurance through specialized program managers, who produce business pursuant to agreed-upon underwriting guidelines and provide related back-office functions; 2) quota share reinsurance where we write quota share reinsurance with primary insurers who, similar to our program managers, provide most of the back-office and support functions; and 3) brokers and agents where we write primary insurance produced through licensed intermediaries on a risk-by-risk basis.

Our Individual Risk business is written by the Glencoe Group through its principal operating subsidiaries Glencoe and Lantana, which write on an excess and surplus lines basis, and through Stonington and Stonington Lloyds, which write on an admitted basis. Since the inception of our Individual Risk business, we have substantially relied on third parties for services including the generation of premium, the issuance of policies and the processing of claims. We actively oversee our third-party partners through an operations review team at Glencoe Specialty Services, which conducts initial due diligence as well as ongoing monitoring. Currently, we are investing in initiatives to strengthen our operating platform, enhance our internal capabilities, and expand the resources we commit to our Individual Risk operations. In furtherance of these initiatives, we recently completed the acquisition of substantially all the net assets of Agro National and CMS.

### *New Business*

In addition to the potential growth of our existing reinsurance and insurance businesses, from time to time we consider opportunistic diversification into new ventures, either through organic growth, the formation of new joint ventures, or the acquisition of or the investment in other companies or books of business of other companies. This potential diversification includes opportunities to write targeted, additional classes of risk-exposed business, both directly for our own account and through possible new joint venture opportunities. We also regularly evaluate opportunities to grow our business by utilizing our skills, capabilities, proprietary technology and relationships to expand into further risk-related coverages, services and products. Generally, we focus on underwriting or trading risks where reasonably sufficient data may be available, and where our analytical abilities may provide us a competitive advantage, in order for us to seek to model estimated probabilities of losses and returns in accordance with our approach in respect of our current portfolio of risks. We also regularly review potential new investments, in both operating entities and financial instruments. We believe the current period of market dislocation may have increased the prospects that we can deploy capital in such initiatives at attractive expected rates of return.

In evaluating potential new ventures or investments, we generally seek an attractive return on equity, the ability to develop or capitalize on a competitive advantage, and opportunities which we believe will not detract from our core Reinsurance and Individual Risk operations. Accordingly, we regularly review strategic opportunities and periodically engage in discussions regarding possible transactions, although there can be no assurance that we will complete any such transactions or that any such transaction would contribute materially to our results of operations or financial condition. We believe that our ability to potentially attract investment and operational opportunities is supported by our strong reputation and financial resources, and by the capabilities and track record of our ventures unit.

### *Underwriting and Risk Management*

We seek to develop and effectively utilize sophisticated computer models and other analytical tools to assess and manage the risks that we underwrite and attempt to optimize our portfolio of reinsurance and insurance contracts and other financial risks. These efforts are managed across our organization by a team of professionals led by our President and Chief Executive Officer.

With respect to our Reinsurance operations, since 1993 we have developed and continuously seek to improve our proprietary, computer-based pricing and exposure management system, Renaissance Exposure Management System ( REMS ). We believe that REMS is a more robust underwriting and risk management system than is currently commercially available elsewhere in the reinsurance industry and offers us a significant competitive advantage. REMS® was originally developed to analyze catastrophe risks, though we continuously seek ways to enhance the program in order to analyze other classes of risk.

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In addition to using REMS<sup>®</sup>, within our Individual Risk operations we have developed a proprietary information management and analytical database, our Program Analysis Central Repository ( PACeR ), within which data related to substantially all our U.S. program business is maintained. With the use and development of PACeR, we are seeking to develop statistical and analytical techniques to evaluate our U.S. program lines of business. We provide our program manager partners with access to PACeR's capabilities, which we believe helps support superior underwriting decisions, thus creating value for them and for us. Our objective is to have PACeR create an advantage for our Individual Risk operations by assisting us in building and maintaining a well-priced portfolio of specialty insurance risks.

**SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

The Company's critical accounting estimates are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations found in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2007.

**SUMMARY OF RESULTS OF OPERATIONS**

*For the three months ended June 30, 2008 compared to the three months ended June 30, 2007*

**Summary Overview**

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars, except per share amounts and ratios)</b> | <b>2008</b>          | <b>2007</b>           | <b>Change</b> |                 |
|--|----------------------|-----------------------|---------------|-----------------|
| Gross premiums written   | \$ 807,575           | \$ 845,860            | \$ (38,285)   |                 |
| Net premiums written   | 614,022              | 609,842               | 4,180         |                 |
| Net premiums earned  | 376,573              | 358,454               | 18,119        |                 |
| Net claims and claim expenses incurred   | 114,217              | 138,854               | (24,637)      |                 |
| Underwriting income  | 175,249              | 133,564               | 41,685        |                 |
| Net investment income  | 38,685               | 118,140               | (79,455)      |                 |
| Net realized losses on investments   | (24,161)             | (11,566)              | (12,595)      |                 |
| Net income available to common shareholders  | 135,721              | 183,166               | (47,445)      |                 |
| Net income available to common shareholders per common share - diluted                                     | \$ 2.13              | \$ 2.53               | \$ (0.40)     |                 |
| Net claims and claim expense ratio - current accident year   | 43.5%                | 55.2%                 | (11.7)%       |                 |
| Net claims and claim expense ratio - prior accident years  | (13.2)%              | (16.5)%               | 3.3%          |                 |
| Net claims and claim expense ratio - calendar year   | 30.3%                | 38.7%                 | (8.4)%        |                 |
| Underwriting expense ratio   | 23.2%                | 24.0%                 | (0.8)%        |                 |
| Combined ratio   | 53.5%                | 62.7%                 | (9.2)%        |                 |
| <b>At June 30, 2008 and March 31, 2008</b>   | <b>June 30, 2008</b> | <b>March 31, 2008</b> | <b>Change</b> | <b>% Change</b> |
| Book value per common share  | \$ 43.32             | \$ 42.14              | \$ 1.18       | 2.8%            |
| Accumulated dividends per common share   | 7.46                 | 7.23                  | 0.23          | 3.2%            |
| Book value per common share plus accumulated dividends   | \$ 50.78             | \$ 49.37              | \$ 1.41       | 2.9%            |

Net income available to common shareholders was \$135.7 million in the second quarter of 2008, compared to \$183.2 million in the second quarter of 2007. Net income available to common shareholders per fully diluted common share was \$2.13 for the second quarter of 2008, compared to \$2.53 in the second quarter of 2007. The decrease in our net income was primarily due to a \$79.5 million decrease in our net investment income and a \$12.6 million increase in net realized losses on investments, partially offset by a \$41.7 million increase in underwriting income as discussed below.

Net investment income for the second quarter of 2008 was \$38.7 million, compared to \$118.1 million for the same quarter in 2007, a decrease of \$79.5 million, as a result of lower total returns in our investment portfolio. Included in net investment income is income from our portfolio of other investments which includes hedge fund and private equity investments, senior secured bank loan funds, non-U.S. fixed income funds, catastrophe bonds and other miscellaneous investments. Net investment income from our other investments decreased \$59.1 million to a loss of \$17.5 million in the second quarter of 2008 compared with \$41.6 million of net investment income in the second quarter of 2007. This includes a \$29.4 million net investment loss from our hedge fund and private equity investments in the second quarter of 2008 compared to \$35.2 million

of net investment income in the second quarter of 2007.

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Net realized losses on investments were \$24.2 million in the first quarter of 2008 compared to \$11.6 million in the first quarter of 2007. The \$12.6 million increase in net realized losses was primarily due to an increase in interest rates and the widening of corporate and securitized asset credit spreads in the second quarter of 2008 which resulted in \$26.6 million of other than temporary impairment charges in our portfolio of fixed maturity investments available for sale, compared to other than temporary impairment charges of \$12.1 million in the second quarter of 2007.

In the second quarter of 2008, we generated \$175.2 million of underwriting income, compared to \$133.6 million in the second quarter of 2007. We had a combined ratio of 53.5%, a net claims and claim expense ratio of 30.3% and an underwriting expense ratio of 23.2% in the second quarter of 2008, compared to a combined ratio, net claims and claim expense ratio and underwriting expense ratio of 62.7%, 38.7% and 24.0%, respectively, in the second quarter of 2007. The Company's underwriting results for the second quarter of 2008 were driven by the following factors:

A relatively low level of insured catastrophes in our Reinsurance segment. Specifically, claims and claim expenses in our catastrophe unit decreased primarily due to the absence of \$53.0 million of claims and claim expenses incurred as a result of the United Kingdom ( U.K. ) floods experienced in the second quarter of 2007, and combined with lower claims and claim expenses in our specialty unit as a result of a surety loss that was fully reserved in the second quarter of 2007.

The decrease in our Reinsurance segment claims and claim expenses were offset by an increase in our Individual Risk segment claims and claim expenses due to an increase in net premiums earned and a resulting higher level of attritional losses combined with a modest increase in our estimated loss ratio for our multi-peril crop insurance business. The increase in the estimated loss ratio from our multi-peril crop insurance business is a result of weather-related losses including flooding and hail storms in the Midwest portion of the U.S. and drought conditions in portions of Texas, both occurring in the second quarter of 2008.

Gross premiums written decreased \$38.3 million to \$807.6 million in the second quarter of 2008, compared to \$845.9 million in the second quarter of 2007. The decrease in gross premiums written was driven by several factors, including our clients, in general, retaining more risk and overall price declines which resulted in a decrease in our premiums. In addition, we elected to non-renew certain contracts and programs where the pricing and/or terms had deteriorated to levels that were unattractive. Net premiums written increased \$4.2 million in the second quarter of 2008 to \$614.0 million, compared to the second quarter of 2007, primarily due to a \$42.5 million decrease in ceded premiums written in the second quarter of 2008 compared to the second quarter of 2007. The decrease in ceded premiums written in the second quarter of 2008, compared to the second quarter of 2007, was primarily due to \$65.8 million of premiums ceded to Starbound II in the second quarter of 2007 not recurring in the second quarter of 2008. Market conditions were not attractive for a similar type of transaction in the second quarter of 2008 and as such the second quarter of 2008 does not include these ceded premiums written. Net premiums earned increased \$18.1 million to \$376.6 million in the second quarter of 2008, compared to the second quarter of 2007 due to an increase in gross premiums earned.

Net claims and claim expenses incurred decreased by \$24.6 million to \$114.2 million in the second quarter of 2008 compared to the same quarter of 2007, due primarily to a \$34.2 million decrease in current accident year losses compared to the second quarter of 2007, principally due to lower losses in our Reinsurance segment and partially offset by an increase in losses in our Individual Risk segment, as discussed above. The Company experienced \$49.6 million of favorable loss reserve development on prior year reserves in the second quarter of 2008 compared to \$59.1 million in the second quarter of 2007, as discussed below.

Book value per common share increased \$1.18 to \$43.32 at June 30, 2008, compared to \$42.14 at March 31, 2008, an increase of 2.8% for the quarter. Book value per common share plus accumulated dividends increased \$1.41 to \$50.78 at June 30, 2008, compared to \$49.37 at March 31, 2008, an increase of 2.9% for the quarter. The growth in book value per common share during the second quarter of 2008 was driven by our net income available to common shareholders of \$135.7 million, offset by a \$29.8 million decrease in accumulated other comprehensive income, and \$14.4 million of common dividends. Book value per common share was also impacted by our repurchase of 2.2 million common shares in the second quarter of 2008 for a total cost of \$113.0 million.



**Table of Contents****Underwriting Results by Segment****Reinsurance Segment**

Below is a summary of the underwriting results and ratios for our Reinsurance segment followed by an analysis of our property catastrophe reinsurance unit and specialty reinsurance unit underwriting results and ratios for the three months ended June 30, 2008 and 2007:

**Reinsurance segment overview**

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars, except ratios)</b> | <b>2008</b> | <b>2007</b> | <b>Change</b> |
|--|-------------|-------------|---------------|
| Gross premiums written (1)   | \$ 487,793  | \$ 606,215  | \$ (118,422)  |
| Net premiums written   | \$ 353,187  | \$ 428,355  | \$ (75,168)   |
| Net premiums earned  | 226,286     | 225,987     | 299           |
| Net claims and claim expenses incurred   | 20,120      | 62,528      | (42,408)      |
| Acquisition expenses   | 25,511      | 25,927      | (416)         |
| Operational expenses   | 22,756      | 16,451      | 6,305         |
| Underwriting income  | \$ 157,899  | \$ 121,081  | \$ 36,818     |
| Net claims and claim expenses incurred - current accident year                       | \$ 57,861   | \$ 112,208  | \$ (54,347)   |
| Net claims and claim expenses incurred - prior accident years                        | (37,741)    | (49,680)    | 11,939        |
| Net claims and claim expenses incurred - total                                       | \$ 20,120   | \$ 62,528   | \$ (42,408)   |
| Net claims and claim expense ratio - current accident year                           | 25.6%       | 49.7%       | (24.1)%       |
| Net claims and claim expense ratio - prior accident years                            | (16.7)%     | (22.0)%     | 5.3%          |
| Net claims and claim expense ratio - calendar year                                   | 8.9%        | 27.7%       | (18.8)%       |
| Underwriting expense ratio   | 21.3%       | 18.8%       | 2.5%          |
| Combined ratio   | 30.2%       | 46.5%       | (16.3)%       |

(1) Reinsurance gross premiums written includes \$(4.9) million and \$(1.3) million of premiums assumed from the Individual Risk segment for the three months ended June 30, 2008 and 2007, respectively.

**Reinsurance Segment Gross Premiums Written** Gross premiums written in our Reinsurance segment decreased by \$118.4 million, or 19.5%, to \$487.8 million in the second quarter of 2008, compared to the second quarter of 2007. Our catastrophe premiums decreased \$48.2 million, or 9.4%, from the second quarter of 2007 and our specialty reinsurance premiums decreased \$70.3 million, or 75.2%, from the second quarter of 2007. The decrease in our catastrophe and specialty premiums was primarily due to softening market conditions which resulted in lower premium rates on business written during the quarter. Our specialty reinsurance premiums were also impacted by one large catastrophe exposed personal lines quota share contract which generated \$2.6 million in gross premiums written in the second quarter of 2008 compared to \$75.4 million in the second quarter of 2007, a decrease of \$72.8 million.

In general, in addition to overall price declines, our clients retained more risk in the second quarter of 2008 compared to the second quarter of 2007 and our underwriters elected to non-renew certain contracts and programs where the pricing and/or terms had deteriorated to levels that were unattractive, all principally driven by a softening market following the low level of insured catastrophe losses occurring during 2007 and 2006. Our Reinsurance segment results have been increasingly impacted in recent periods by a certain number of large transactions with significant clients.

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*Reinsurance Segment Underwriting Results* Our Reinsurance segment generated \$157.9 million of underwriting income in the second quarter of 2008, compared to \$121.1 million in the second quarter of 2007, an increase of \$36.8 million. The increase was principally due to lower net claims and claim expenses incurred as discussed below. In the second quarter of 2008, our Reinsurance segment generated a net claims and claim expense ratio of 8.9%, an underwriting expense ratio of 21.3% and a combined ratio

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of 30.2%, compared to 27.7%, 18.8% and 46.5%, respectively, in the second quarter of 2007. Net premiums earned of \$226.3 million in the second quarter of 2008 were up \$0.3 million from the same period in 2007. Current accident year losses of \$57.9 million were down \$54.3 million from \$112.2 million in the second quarter of 2007, which were primarily driven by flood losses in the U.K. that resulted in \$53.0 million of net claims and claim expenses that did not recur in the second quarter of 2008. In the second quarter of 2008, we experienced \$37.7 million of prior year favorable development compared to \$49.7 million in the second quarter of 2007, which in both years was principally due to lower than expected claims emergence within our catastrophe and specialty reinsurance business units.

We have entered into joint ventures and specialized quota share cessions of our book of business. In accordance with the joint venture and quota share agreements, we are entitled to certain fee income and profit commissions. We record these fees and profit commissions as a reduction in acquisition and operating expenses and, accordingly, these fees have reduced our underwriting expense ratios. These fees totaled \$16.1 million and \$7.1 million for the second quarters of 2008 and 2007, respectively, and resulted in a corresponding decrease to the Reinsurance segment underwriting expense ratio of 7.1% and 3.1% for the second quarters of 2008 and 2007, respectively. In addition, we are entitled to certain fee income and profit commissions from DaVinci. Because the results of DaVinci, and its parent, DaVinciRe, are consolidated in our results of operations, these fees and profit commissions are eliminated in our consolidated financial statements and are principally reflected in minority interest. The net impact of all fees and profit commissions related to these joint ventures and specialized quota share cessions within our Reinsurance segment was \$28.3 million and \$20.1 million for the second quarters of 2008 and 2007, respectively.

**Table of Contents****Catastrophe**

Below is a summary of the underwriting results and ratios for our property catastrophe reinsurance unit for the three months ended June 30, 2008 and 2007:

**Catastrophe overview**

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars, except ratios)</b> | <b>2008</b> | <b>2007</b> | <b>Change</b> |
|--|-------------|-------------|---------------|
| Property catastrophe gross premiums written  |             |             |               |
| Renaissance  | \$ 291,317  | \$ 340,913  | \$ (49,596)   |
| DaVinci  | 173,349     | 171,915     | 1,434         |
| Total property catastrophe gross premiums written (1)                                | \$ 464,666  | \$ 512,828  | \$ (48,162)   |
| Net premiums written   | \$ 330,060  | \$ 334,968  | \$ (4,908)    |
| Net premiums earned  | 164,471     | 170,337     | (5,866)       |
| Net claims and claim expenses incurred   | 7,984       | 45,570      | (37,586)      |
| Acquisition expenses   | 12,323      | 17,892      | (5,569)       |
| Operational expenses   | 17,498      | 11,761      | 5,737         |
| Underwriting income  | \$ 126,666  | \$ 95,114   | \$ 31,552     |
| Net claims and claim expenses incurred - current accident year                       | \$ 26,076   | \$ 64,569   | \$ (38,493)   |
| Net claims and claim expenses incurred - prior accident years                        | (18,092)    | (18,999)    | 907           |
| Net claims and claim expenses incurred - total                                       | \$ 7,984    | \$ 45,570   | \$ (37,586)   |
| Net claims and claim expense ratio - current accident year                           | 15.9%       | 37.9%       | (22.0)%       |
| Net claims and claim expense ratio - prior accident years                            | (11.0)%     | (11.2)%     | 0.2%          |
| Net claims and claim expense ratio - calendar year                                   | 4.9%        | 26.7%       | (21.8)%       |
| Underwriting expense ratio   | 18.1%       | 17.4%       | 0.7%          |
| Combined ratio   | 23.0%       | 44.1%       | (21.1)%       |

(1) Includes gross premiums written ceded from the Individual Risk segment to the catastrophe unit of \$(4.9) million and \$(1.3) million for the three months ended June 30, 2008 and 2007, respectively.

**Catastrophe Reinsurance Gross Premiums Written** In the second quarter of 2008, our property catastrophe gross premiums written decreased by \$48.2 million, or 9.4%, to \$464.7 million, compared to the second quarter of 2007. The decrease in our catastrophe premiums was primarily due to softening market conditions which generally resulted in lower premium rates on business written during the quarter. In general, in addition to overall price declines our clients retained more risk in the second quarter of 2008 compared to the second quarter of 2007 and our underwriters elected to non-renew certain contracts and programs where the pricing and/or terms had deteriorated to levels that were unattractive, all principally driven by a softening market following the low level of insured catastrophe losses occurring during 2007 and 2006.

**Catastrophe Reinsurance Underwriting Results** Our catastrophe unit generated \$126.7 million of underwriting income in the second quarter of 2008, compared to \$95.1 million in the second quarter of 2007, an increase of \$31.6 million. The increase in underwriting income was due primarily to a \$37.6 million decrease in net claims and claim expenses incurred. In the second quarter of 2008, our catastrophe unit generated a net claims and claim expense ratio of 4.9%, an underwriting expense ratio of 18.1% and a combined ratio of 23.0%, compared to 26.7%, 17.4%

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and 44.1%, respectively, in the second quarter of 2007. Current accident year losses of \$26.1 million were down \$38.5 million from \$64.6 million in the second quarter of 2007. Included in current accident year losses for the second quarter of 2007 were flood losses in the U.K. which resulted in \$48.0 million of net claims and claim expenses. During the second quarter of 2008, we experienced \$18.1 million of favorable development on prior year reserves principally due to lower than expected claims emergence on relatively small U.S. catastrophes from accident years 2007 and prior. This compares to \$19.0 million of favorable development on prior year reserves in the second quarter of 2007 principally due to lower than expected claims emergence on the 2006 accident year.

**Table of Contents****Specialty**

Below is a summary of the underwriting results and ratios for our specialty reinsurance unit for the three months ended June 30, 2008 and 2007:

**Specialty overview**

| Three months ended June 30,<br>(in thousands of U.S. dollars, except ratios) | 2008      | 2007      | Change      |
|--|-----------|-----------|-------------|
| Specialty gross premiums written   |           |           |             |
| Renaissance  | \$ 22,955 | \$ 93,258 | \$ (70,303) |
| DaVinci  | 172       | 129       | 43          |
| Total specialty gross premiums written                                       | \$ 23,127 | \$ 93,387 | \$ (70,260) |
| Net premiums written   | \$ 23,127 | \$ 93,387 | \$ (70,260) |
| Net premiums earned  | 61,815    | 55,650    | 6,165       |
| Net claims and claim expenses incurred                                       | 12,136    | 16,958    | (4,822)     |
| Acquisition expenses   | 13,188    | 8,035     | 5,153       |
| Operational expenses   | 5,258     | 4,690     | 568         |
| Underwriting income  | \$ 31,233 | \$ 25,967 | \$ 5,266    |
| Net claims and claim expenses incurred - current accident year               | \$ 31,785 | \$ 47,639 | \$ (15,854) |
| Net claims and claim expenses incurred - prior accident years                | (19,649)  | (30,681)  | 11,032      |
| Net claims and claim expenses incurred - total                               | \$ 12,136 | \$ 16,958 | \$ (4,822)  |
| Net claims and claim expense ratio - current accident year                   | 51.4%     | 85.6%     | (34.2)%     |
| Net claims and claim expense ratio - prior accident years                    | (31.8)%   | (55.1)%   | 23.3%       |
| Net claims and claim expense ratio - calendar year                           | 19.6%     | 30.5%     | (10.9)%     |
| Underwriting expense ratio   | 29.9%     | 22.9%     | 7.0%        |
| Combined ratio   | 49.5%     | 53.4%     | (3.9)%      |

**Specialty Reinsurance Gross Premiums Written** In the second quarter of 2008, our specialty reinsurance gross premiums written decreased by \$70.3 million to \$23.1 million compared to the second quarter of 2007. The decrease in our specialty reinsurance premiums was principally driven by the impact of one large catastrophe exposed personal lines quota share contract which generated \$2.6 million in gross premiums written in the second quarter of 2008 compared to \$75.4 million in the second quarter of 2007, a decrease of \$72.8 million. Our results in the second quarter of 2007 benefited from the assumed portfolio transfer in of this contract for the 2007 underwriting year which increased the gross premiums written in that quarter while the second quarter of 2008 was impacted by the portfolio transfer out of the 2007 contract, followed by an assumed portfolio transfer in of the 2008 contract on a lower premium base. Our specialty reinsurance premiums are prone to significant volatility as this business is characterized by a relatively small number of large transactions.

**Specialty Reinsurance Underwriting Results** Our specialty unit generated \$31.2 million of underwriting income in the second quarter of 2008, compared to \$26.0 million in the second quarter of 2007, an increase of \$5.3 million, primarily due to a \$6.2 million increase in net premiums earned as a result of a catastrophe exposed personal lines property quota share reinsurance contract noted above earning three months of premium in the second quarter of 2008 compared to only one month in the second quarter of 2007 (June 1, 2007 contract inception date). Acquisition expenses increased \$5.2 million in the second quarter of 2008 as a result of the catastrophe exposed personal lines property quota share reinsurance contract, noted above, which has a higher acquisition expense ratio than the remainder of the specialty reinsurance business. In the second quarter of 2008, our specialty unit generated a net claims and claim expense ratio of 19.6%, an underwriting expense ratio of 29.9%

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and a combined ratio of 49.5%, compared to a net claims and claim expense ratio of 30.5%, an underwriting expense ratio of 22.9% and a combined ratio of 53.4%, in the second quarter of 2007. Current accident year losses of \$31.8 million were down \$15.9 million from \$47.6

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million in the second quarter of 2007. Included in the second quarter of 2007 current accident year losses is one large loss in our surety book resulting in a \$15.0 million loss and \$5.0 million of losses relating to the U.K. floods. During the second quarters of 2008 and 2007, we experienced favorable development on prior year reserves of \$19.6 million and \$30.7 million, respectively, which was primarily driven by lower than expected reported claims on prior year reserves.

**Individual Risk Segment**

Below is a summary of the underwriting results and ratios for the three months ended June 30, 2008 and 2007 for our Individual Risk segment:

**Individual Risk segment overview**

| Three months ended June 30,<br>(in thousands of U.S. dollars, except ratios) | 2008              | 2007              | Change           |
|--|-------------------|-------------------|------------------|
| Multi-peril crop   | \$ 203,077        | \$ 116,690        | \$ 86,387        |
| Commercial multi-line  | 31,699            | 44,435            | (12,736)         |
| Commercial property  | 60,830            | 75,013            | (14,183)         |
| Personal lines property  | 19,239            | 2,253             | 16,986           |
| <b>Gross premiums written</b>  | <b>\$ 314,845</b> | <b>\$ 238,391</b> | <b>\$ 76,454</b> |
| <b>Net premiums written</b>  | <b>\$ 260,835</b> | <b>\$ 181,487</b> | <b>\$ 79,348</b> |
| <b>Net premiums earned</b>   | <b>\$ 150,287</b> | <b>\$ 132,467</b> | <b>\$ 17,820</b> |
| Net claims and claim expenses incurred                                       | 94,097            | 76,326            | 17,771           |
| Acquisition expenses   | 28,102            | 33,582            | (5,480)          |
| Operational expenses   | 10,738            | 10,076            | 662              |
| <b>Underwriting income</b>   | <b>\$ 17,350</b>  | <b>\$ 12,483</b>  | <b>\$ 4,867</b>  |
| <b>Net claims and claim expenses incurred - current accident year</b>        | <b>\$ 105,926</b> | <b>\$ 85,793</b>  | <b>\$ 20,133</b> |
| <b>Net claims and claim expenses incurred - prior years</b>                  | <b>(11,829)</b>   | <b>(9,467)</b>    | <b>(2,362)</b>   |
| <b>Net claims and claim expenses incurred - total</b>                        | <b>\$ 94,097</b>  | <b>\$ 76,326</b>  | <b>\$ 17,771</b> |
| <b>Net claims and claim expense ratio - current accident year</b>            | <b>70.5%</b>      | <b>64.8%</b>      | <b>5.7%</b>      |
| <b>Net claims and claim expense ratio - prior accident years</b>             | <b>(7.9)%</b>     | <b>(7.1)%</b>     | <b>(0.8)%</b>    |
| <b>Net claims and claim expense ratio - calendar year</b>                    | <b>62.6%</b>      | <b>57.7%</b>      | <b>4.9%</b>      |
| <b>Underwriting expense ratio</b>  | <b>25.9%</b>      | <b>33.0%</b>      | <b>(7.1)%</b>    |
| <b>Combined ratio</b>  | <b>88.5%</b>      | <b>90.7%</b>      | <b>(2.2)%</b>    |

*Individual Risk Segment Gross Premiums Written* Premiums generated by our Individual Risk segment increased \$76.5 million, or 32.1%, to \$314.8 million in the second quarter of 2008 compared to \$238.4 million in the second quarter of 2007. The increase in gross premiums written was primarily due to our multi-peril crop insurance business which increased \$86.4 million in the second quarter of 2008, principally due to higher agricultural commodity prices in the second quarter of 2008 compared to the second quarter of 2007, which resulted in higher premiums written for this business. The increase in our multi-peril crop insurance business was partially offset by decreases in our commercial multi-line and commercial property business, respectively, as a result of maintaining our underwriting discipline due to the overall softening of market conditions with respect to premium rates.



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Our Individual Risk premiums can fluctuate significantly between quarters and between years depending upon the timing of the inception of new program managers and quota share reinsurance contracts, including whether or not we have portfolio transfers in, or portfolio transfers out, of quota share reinsurance contracts of in force books of business. In addition, our growing agricultural insurance business is subject to fluctuating agricultural commodity prices and substantial seasonal fluctuations.

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**Individual Risk Segment Underwriting Results** Our Individual Risk segment generated \$17.4 million of underwriting income in the second quarter of 2008, compared to \$12.5 million in the second quarter of 2007, an increase of \$4.9 million. The increase was primarily due to an increase in net premiums earned, principally due to our multi-peril crop insurance business, and a decrease in underwriting expenses, offset by an increase in the net claims and claim expenses incurred. In the second quarter of 2008, our Individual Risk segment generated a net claims and claim expenses ratio of 62.6%, an underwriting expense ratio of 25.9% and a combined ratio of 88.5%, compared to 57.7%, 33.0% and 90.7%, respectively, in the second quarter of 2007. The decrease in the underwriting expense ratio and increase in the net claims and claim expense ratio was principally driven by an increase in the proportion of net premiums earned from our multi-peril crop insurance, compared to our other lines of business, as the multi-peril crop insurance business has a lower net acquisition expense ratio than our other lines of business. The current accident year net claims and claim expenses ratio of 70.5% for the quarter ended June 30, 2008 was 5.7 percentage points higher than the second quarter of 2007. The increase in this ratio was due primarily to higher net claims and claim expenses incurred in the second quarter of 2008 than in the second quarter of 2007 as a result of a higher estimated loss ratio being utilized relating to our multi-peril crop insurance business due to flooding and hail storms in the Midwest portion of the U.S. combined with drought conditions in portions of Texas, both in the second quarter of 2008. Our Individual Risk prior year reserves experienced \$11.8 million of favorable development in the second quarter of 2008 compared to \$9.5 million of favorable development in the second quarter of 2007, primarily as a result of lower than expected reported claims on prior year reserves.

As discussed below under **Reserves for Claims and Claim Expenses**, the most significant accounting judgment made by management is our estimate of claims and claim expense reserves. In our multi-peril crop insurance business, insureds are required under policy terms to report all potential claims whether or not the insured believes that the crops can be re-planted and harvested; therefore, management's estimates are subject to significant variability based on factors such as whether an insured is able to re-plant and ultimately harvest all or a portion of the crop, which will not generally be known until the end of the crop season. In addition, management has to estimate which losses will be ceded to the Federal Crop Insurance Corporation. Our estimate of net claims and claim expenses incurred for the multi-peril crop insurance business reflects these judgments and actual results will vary, perhaps materially so, and be adjusted as new information is known and becomes available.

**Net Investment Income**

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars)</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Fixed maturity investments available for sale                         | \$ 46,308   | \$ 47,742   |
| Short term investments  | 12,054      | 28,319      |
| Other investments   |             |             |
| Hedge funds and private equity investments                            | (29,395)    | 35,184      |
| Other   | 11,863      | 6,398       |
| Cash and cash equivalents   | 1,042       | 2,826       |
|   | 41,872      | 120,469     |
| Investment expenses   | (3,187)     | (2,329)     |
| Net investment income   | \$ 38,685   | \$ 118,140  |

Net investment income for the second quarter of 2008 was \$38.7 million, compared to \$118.1 million for the same quarter in 2007, a decrease of \$79.5 million, as a result of lower total returns in our investment portfolio. Net investment income from fixed maturity investments available for sale remained relatively stable at \$46.3 million in the second quarter of 2008 compared to \$47.7 million in the second quarter of 2007. Included in net investment income is income from our portfolio of other investments which includes hedge fund and private equity investments, senior secured bank loan funds, non-U.S. fixed income funds,

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catastrophe bonds and other miscellaneous investments. Net investment income from our other investments decreased \$59.1 million to a loss of \$17.5 million in the second quarter of 2008 compared with \$41.6 million of net investment income in the second quarter of 2007, with the majority of this decrease attributable to our hedge funds and private equity investments. Included in net investment income from other investments is \$24.4 million of net unrealized losses compared with \$24.2 million of net unrealized gains for the second quarter of 2008 and 2007, respectively. Net investment income from short term investments decreased to \$12.1 million in the second quarter of 2008 compared with \$28.3 million in the second quarter of 2007, principally due to a decrease in the average balances of short term investments, due primarily to share repurchases, and a decrease in short term interest rates.

**Net Realized Investment Losses**

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars)</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Gross realized gains  | \$ 18,606   | \$ 3,744    |
| Gross realized losses, other than temporary impairments               | (26,573)    | (12,146)    |
| Gross realized losses, other  | (16,194)    | (3,164)     |
| Net realized investment losses  | \$ (24,161) | \$ (11,566) |

In the second quarter of 2008, we incurred net realized investment losses of \$24.2 million compared to \$11.6 million in the second quarter of 2007. Net realized investment losses in the second quarter of 2008 were driven by an increase in other than temporary impairment charges to \$26.6 million, compared to \$12.1 million in the second quarter of 2007. Other than temporary impairment charges relate to our fixed maturity investments available for sale. Credit-related impairment charges totaled \$nil and \$nil in the second quarters of 2008 and 2007, respectively. None of our fixed maturity investments available for sale were in an unrealized loss position at June 30, 2008.

**Equity in Earnings of Other Ventures**

| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars)</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Top Layer Re  | \$ 3,023    | \$ 3,761    |
| Starbound II  | 1,063       | 344         |
| Tower Hill  | 879         | 79          |
| ChannelRe   |             | 5,189       |
| Other   | (93)        | 302         |
| Total equity in earnings of other ventures                            | \$ 4,872    | \$ 9,675    |

Equity in earnings of other ventures in the second quarter of 2008 principally represents our pro-rata share of the net income (loss) from our investments in our joint ventures Top Layer Re, Starbound II, Tower Hill, and ChannelRe. Equity in earnings of other ventures generated \$4.9 million in income in the second quarter of 2008, compared to \$9.7 million in the second quarter of 2007. The decrease is primarily due to a lack of equity in earnings from ChannelRe. Due to ChannelRe's estimated unrealized mark-to-market losses in its portfolio of financial guaranty contracts accounted for as derivatives under GAAP, ChannelRe is in a negative shareholders' equity position, and consequently, our investment in ChannelRe is carried at \$nil. Until such time as ChannelRe's shareholders' equity is positive, we will not record any equity in earnings in our investment in ChannelRe. The equity pick-up for our earnings in ChannelRe and Tower Hill is recorded one quarter in arrears. Due to market conditions, the Company elected not to participate in a new fully collateralized joint venture in 2008, such as Starbound in 2006 and Starbound II in 2007.

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| <b>Three months ended June 30,<br/>(in thousands of U.S. dollars)</b>              | <b>2008</b> | <b>2007</b>    |
|--|-------------|----------------|
| Weather trading  | \$ 5,162    | \$ (4,748)     |
| Mark-to-market on Platinum warrants  | 1,611       | 6,147          |
| Catastrophe-linked securities  | 466         | (1)            |
| Fee income   | 2           | 1,355          |
| Weather-related and loss mitigation  | (2,539)     | (2,395)        |
| Assumed and ceded reinsurance contracts accounted for at fair value or as deposits | (3,600)     | (7,037)        |
| Other items  | (1,126)     | 1,181          |
| <br>Total other loss   | <br>\$ (24) | <br>\$ (5,498) |

In the second quarter of 2008, we incurred an other loss of \$24 thousand compared to \$5.5 million of other loss in the second quarter of 2007. The decrease in other loss was primarily due to a \$9.9 million increase in net trading income from our weather trading activities and partially offset by a decrease in fee income due to the expiration of our prior services agreement with Platinum and a decrease in the fair value on our warrant to purchase 2.5 million shares of Platinum common stock as a result of a decrease in the common share price of Platinum. The weather-trading activities in which we engage are both seasonal and volatile, and there is no assurance that the current quarter's performance will be indicative of future periods. We also incurred a \$3.4 million decrease in other loss from our assumed and ceded reinsurance contracts accounted for at fair value or deposits, principally due to the expiration and non-renewal of several of the contracts.

**Other Items**

Interest expense decreased by \$1.3 million to \$5.9 million in the second quarter of 2008, compared to \$7.2 million in the second quarter of 2007. The decrease in interest expense was primarily due to a lower average interest rate on the floating rate DaVinciRe debt during the second quarter of 2008 compared to the second quarter of 2007.

Minority interest increased \$3.9 million to \$41.3 million in the second quarter of 2008, compared to \$37.4 million in the second quarter of 2007, due to an increase in DaVinciRe's net income in the second quarter of 2008, compared to the second quarter of 2007. The impact of the increased profitability in DaVinciRe was partially offset by an increase in our ownership of DaVinciRe to 22.8% in the first quarter of 2008 from 20.5% in 2007, which reduced minority interest.

Income tax benefit increased by \$7.0 million to a \$6.3 million benefit in the second quarter of 2008, compared to a \$0.7 million expense in the second quarter of 2007, due in part to taxable losses incurred from a private equity investment within our U.S. operations in the second quarter of 2008. Notwithstanding these losses, we believe our U.S. operations will generate taxable income in the future. In addition, during the second quarter of 2007, we maintained a valuation allowance with respect to our net deferred tax asset as a result of a history of unprofitable operations in the U.S., and as a result, our income tax expense was reduced in the second quarter of 2007 by a corresponding reduction in our net deferred tax asset valuation allowance. The valuation allowance was substantially reduced by the end of 2007 and as a result we did not have a similar reduction in our valuation allowance in the second quarter of 2008.

**Table of Contents****SUMMARY OF RESULTS OF OPERATIONS**

*For the six months ended June 30, 2008 compared to the six months ended June 30, 2007*

**Summary Overview**

| Six months ended June 30,<br>(in thousands of U.S. dollars, except per share amounts and ratios) | 2008                 | 2007                     | Change        |                 |
|--|----------------------|--------------------------|---------------|-----------------|
| Gross premiums written   | \$ 1,334,613         | \$ 1,478,589             | \$ (143,976)  |                 |
| Net premiums written   | 1,017,138            | 1,180,869                | (163,731)     |                 |
| Net premiums earned  | 685,487              | 721,072                  | (35,585)      |                 |
| Net claims and claim expenses incurred   | 196,373              | 284,846                  | (88,473)      |                 |
| Underwriting income  | 325,466              | 257,937                  | 67,529        |                 |
| Net investment income  | 91,188               | 226,155                  | (134,967)     |                 |
| Net realized losses on investments   | (34,831)             | (7,481)                  | (27,350)      |                 |
| Net income available to common shareholders  | 272,886              | 373,971                  | (101,085)     |                 |
| Net income available to common shareholders per common share - diluted                           | \$ 4.18              | \$ 5.16                  | \$ (0.98)     |                 |
| Net claims and claim expense ratio - current accident year                                       | 42.5%                | 54.2%                    | (11.7)%       |                 |
| Net claims and claim expense ratio - prior accident years  | (13.9)%              | (14.7)%                  | 0.8%          |                 |
| Net claims and claim expense ratio - calendar year   | 28.6%                | 39.5%                    | (10.9)%       |                 |
| Underwriting expense ratio   | 23.9%                | 24.7%                    | (0.8)%        |                 |
| Combined ratio   | 52.5%                | 64.2%                    | (11.7)%       |                 |
| <b>At June 30, 2008 and December 31, 2007</b>  | <b>June 30, 2008</b> | <b>December 31, 2007</b> | <b>Change</b> | <b>% Change</b> |
| Book value per common share  | \$ 43.32             | \$ 41.03                 | \$ 2.29       | 5.6%            |
| Accumulated dividends per common share   | 7.46                 | 7.00                     | 0.46          | 6.6%            |
| Book value per common share plus accumulated dividends   | \$ 50.78             | \$ 48.03                 | \$ 2.75       | 5.7%            |

Net income available to common shareholders was \$272.9 million in the first six months of 2008, compared to \$374.0 million in the first six months of 2007, a decrease of \$101.1 million. Net income available to common shareholders per fully diluted common share was \$4.18 for the first six months of 2008, compared to \$5.16 in the first six months of 2007. The decrease in net income available to common shareholders and fully diluted earnings per share was primarily due to a \$135.0 million decrease in net investment income combined with a \$27.4 million increase in net realized losses on investments and partially offset by a \$67.5 million increase in underwriting income.

The \$135.0 million decrease in net investment income was primarily a result of lower returns on our portfolio of other investments. Net investment income from our other investments decreased \$112.5 million and resulted in a loss of \$33.9 million in the first six months of 2008 compared to \$78.6 million of net investment income in the first six months of 2007, driven mainly by net investment losses from our portfolio of hedge funds and private equity investments as well as reduced returns on our senior secured bank loan funds and non-U.S. fixed income funds. The \$27.4 million increase in net realized losses was driven by increasing interest rates and widening credit spreads in the first six months of 2008, compared to the first six months of 2007, which resulted in a \$38.3 million increase in other than temporary impairment losses in our portfolio of fixed maturity securities available for sale. In the first six months of 2008, we generated \$325.5 million of underwriting income, compared to \$257.9 million in the first six months of 2007, an increase of \$67.5 million. The increase in underwriting income was principally driven by an \$88.5 million reduction in net claims and claim expenses incurred as discussed below and partially offset by a \$35.6 million reduction in net premiums earned. We had a combined ratio of 52.5%, a net claims and claim expense ratio of 28.6% and an underwriting expense ratio of 23.9%, in the first six months of 2008, compared to a combined ratio, net claims and claim expense ratio and underwriting expense ratio of 64.2%, 39.5% and 24.7%, respectively, in the first six months of 2007.

Gross premiums written decreased \$144.0 million to \$1,334.6 million in the first six months of 2008, compared to the first six months of 2007. Net premiums written decreased \$163.7 million in the first six months of 2008 to \$1,017.1 million, compared to the first six months of 2007, as discussed below. Net premiums earned decreased \$35.6 million to \$685.5 million in the first six months of 2008, compared to the first six months of 2007 due to the decrease in net premiums written noted above.

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Underwriting income increased in the first six months of 2008, compared to the first six months of 2007, primarily due to the impact on our results for the first six months of 2007 of \$86.7 million of net negative

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impact from European windstorm Kyrill ( Kyrill ) and the U.K. flood losses which occurred in the first and second quarters of 2007, respectively. Net negative impact includes the sum of net claims and claim expenses incurred, assumed and ceded reinstatement premiums earned and minority interest. Estimates of these losses are based on a review of potentially exposed contracts, information reported by and discussions with counterparties, and the Company's estimate of losses related to those contracts and is subject to change as more information is reported and becomes available. Such information is frequently reported more slowly, and with less initial accuracy, with respect to non-U.S. events such as Kyrill and the U.K. floods than with large U.S. catastrophe losses. The net negative impact from Kyrill and the U.K. floods is all attributable to the Company's Reinsurance segment.

Net claims and claim expenses incurred decreased by \$88.5 million to \$196.4 million in the first six months of 2008 compared to \$284.8 million in the first six months of 2007, due to a \$100.0 million decrease in current accident year losses and partially offset by an \$11.6 million decrease in favorable development on prior year reserves to \$94.7 million in the first six months of 2008 compared to \$106.2 million in the first six months of 2007. The decrease in current accident year losses was principally due to lower losses in our Reinsurance segment which was primarily driven by a relatively low level of losses to our portfolio from insured catastrophes in the first six months of 2008, compared to the first and second quarters of 2007 where we were impacted by losses associated with Kyrill and the U.K. floods, respectively.

Book value per common share increased \$2.29 to \$43.32 at June 30, 2008, compared to \$41.03 at December 31, 2007, an increase of 5.6%. Book value per common share plus accumulated dividends increased \$2.75 to \$50.78 at June 30, 2008, compared to \$48.03 at December 31, 2007. The 5.7% growth in book value per share plus accumulated dividends was driven by our net income attributable to common shareholders of \$272.9 million, less \$29.6 million of common dividends in the first six months of 2008. Book value per common share plus accumulated dividends was negatively impacted in the six months ending June 30, 2008 by \$352.6 million of common share repurchases. Common shares outstanding decreased to 62.9 million at June 30, 2008 from 68.9 million at December 31, 2007.

**Table of Contents****Underwriting Results by Segment*****Reinsurance Segment***

Below is a summary of the underwriting results and ratios for our Reinsurance segment followed by an analysis of our property catastrophe reinsurance unit and specialty reinsurance unit underwriting results and ratios for the six months ended June 30, 2008 and 2007:

**Reinsurance segment overview**

| Six months ended June 30,<br>(in thousands of U.S. dollars, except ratios) | 2008       | 2007         | Change       |
|--|------------|--------------|--------------|
| Gross premiums written (1)   | \$ 931,521 | \$ 1,122,182 | \$ (190,661) |
| Net premiums written   | \$ 696,107 | \$ 904,574   | \$ (208,467) |
| Net premiums earned  | 458,513    | 480,766      | (22,253)     |
| Net claims and claim expenses incurred                                     | 67,189     | 154,655      | (87,466)     |
| Acquisition expenses   | 44,026     | 54,289       | (10,263)     |
| Operational expenses   | 43,895     | 34,642       | 9,253        |
| Underwriting income  | \$ 303,403 | \$ 237,180   | \$ 66,223    |
| Net claims and claim expenses incurred - current accident year             | \$ 128,437 | \$ 234,614   | \$ (106,177) |
| Net claims and claim expenses incurred - prior accident years              | (61,248)   | (79,959)     | 18,711       |
| Net claims and claim expenses incurred - total                             | \$ 67,189  | \$ 154,655   | \$ (87,466)  |
| Net claims and claim expense ratio - current accident year                 | 28.0%      | 48.8%        | (20.8)%      |
| Net claims and claim expense ratio - prior accident years                  | (13.3)%    | (16.6)%      | 3.3%         |
| Net claims and claim expense ratio - calendar year                         | 14.7%      | 32.2%        | (17.5)%      |
| Underwriting expense ratio   | 19.1%      | 18.5%        | 0.6%         |
| Combined ratio   | 33.8%      | 50.7%        | (16.9)%      |

(1) Reinsurance gross premiums written includes \$(7.4) million and \$5.3 million of premiums assumed from the Individual Risk segment for the six months ended June 30, 2008 and 2007, respectively.

*Reinsurance Segment Gross Premiums Written* Gross premiums written in our Reinsurance segment decreased by \$190.7 million, or 17.0%, to \$931.5 million in the first six months of 2008, compared to \$1,122.2 million in the first six months of 2007. Our catastrophe premiums decreased \$83.0 million, or 9.1%, from the first six months of 2007 and our specialty reinsurance premiums decreased \$107.7 million, or 51.2%, from the first six months of 2007. The decrease in our catastrophe and specialty premiums was primarily due to softening market conditions which resulted in lower premium rates on business written during the quarter. The decrease in our specialty reinsurance premiums was also impacted by one large catastrophe exposed personal lines quota share contract which generated \$14.2 million in gross premiums written in the first six months of 2008 compared to \$75.4 million in the first six months of 2007, a decrease of \$61.2 million.

In addition to overall price declines, our clients generally retained more risk in the first six months of 2008 compared to the first six months of 2007 and our underwriters elected to non-renew certain contracts and programs where the pricing and/or terms had deteriorated to levels that were unattractive, all principally driven by a softening market following the low level of insured catastrophe losses occurring during 2007 and 2006. Our Reinsurance segment results have been increasingly impacted in recent periods by a relatively small number of large transactions with significant clients.



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*Reinsurance Segment Underwriting Results* Our Reinsurance segment generated \$303.4 million of underwriting income in the first six months of 2008, compared to \$237.2 million in the first six months of 2007, an increase of \$66.2 million. The increase in underwriting income was primarily due to the decrease in net claims and claim expenses as noted above. In the first six months of 2008, our Reinsurance segment generated a net claims and claim expenses ratio of 14.7%, an underwriting expense ratio of 19.1% and a combined ratio of 33.8%, compared to 32.2%, 18.5% and 50.7%, respectively, in the first six months of 2007. Current accident year losses of \$128.4 million in the first six months of 2008 were down \$106.2 million from \$234.6 million in the first six months of 2007 due to a higher level of catastrophes occurring in the first six months of 2007 and lower specialty premiums earned. In the first six months of 2008 and 2007, we experienced favorable development on prior year reserves of \$61.2 million and \$80.0 million, respectively, which was primarily due to reported claims and claim expenses on prior year reserves coming in less than expected in our specialty reinsurance business unit.

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We have entered into joint ventures and specialized quota share cessions of our book of business. In accordance with the joint venture and quota share agreements, we are entitled to certain fee income and profit commissions. We record these fees and profit commissions as a reduction in acquisition and operating expenses and, accordingly, these fees have reduced our underwriting expense ratios. These fees totaled \$37.4 million and \$11.1 million for the first six months of 2008 and 2007, respectively, and resulted in a corresponding decrease to the Reinsurance segment underwriting expense ratio of 8.2% and 2.3% for the first six months of 2008 and 2007, respectively. In addition, we are entitled to certain fee income and profit commissions from DaVinci. Because the results of DaVinci, and its parent, DaVinciRe, are consolidated in our results of operations, these fees and profit commissions are eliminated in our consolidated financial statements and are principally reflected in minority interest. The net impact of all fees and profit commissions related to these joint ventures and specialized quota share cessions within our Reinsurance segment was \$62.8 million and \$33.3 million for the first six months of 2008 and 2007, respectively.

**Catastrophe**

Below is a summary of the underwriting results and ratios for our property catastrophe reinsurance unit for the six months ended June 30, 2008 and 2007:

Catastrophe overview

| Six months ended June 30,<br>(in thousands of U.S. dollars, except ratios) | 2008       | 2007       | Change       |
|--|------------|------------|--------------|
| Property catastrophe gross premiums written                                |            |            |              |
| Renaissance  | \$ 516,285 | \$ 580,940 | \$ (64,655)  |
| DaVinci  | 312,527    | 330,852    | (18,325)     |
| Total property catastrophe gross premiums written (1)                      | \$ 828,812 | \$ 911,792 | \$ (82,980)  |
| Net premiums written   | \$ 593,398 | \$ 694,184 | \$ (100,786) |
| Net premiums earned  | 337,820    | 370,730    | (32,910)     |
| Net claims and claim expenses incurred                                     | 38,473     | 136,862    | (98,389)     |
| Acquisition expenses   | 15,962     | 39,526     | (23,564)     |
| Operational expenses   | 33,883     | 25,438     | 8,445        |
| Underwriting income  | \$ 249,502 | \$ 168,904 | \$ 80,598    |
| Net claims and claim expenses incurred - current accident year             | \$ 56,265  | \$ 154,530 | \$ (98,265)  |
| Net claims and claim expenses incurred - prior accident years              | (17,792)   | (17,668)   | (124)        |
| Net claims and claim expenses incurred - total                             | \$ 38,473  | \$ 136,862 | \$ (98,389)  |
| Net claims and claim expense ratio - current accident year                 | 16.7%      | 41.7%      | (25.0)%      |
| Net claims and claim expense ratio - prior accident years                  | (5.3)%     | (4.8)%     | (0.5)%       |
| Net claims and claim expense ratio - calendar year                         | 11.4%      | 36.9%      | (25.5)%      |
| Underwriting expense ratio   | 14.7%      | 17.5%      | (2.8)%       |
| Combined ratio   | 26.1%      | 54.4%      | (28.3)%      |

(1) Includes gross premiums written ceded from the Individual Risk segment to the catastrophe unit of \$(7.4) million and \$5.3 million for the six months ended June 30, 2008 and 2007, respectively.

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*Catastrophe Reinsurance Gross Premiums Written* In the first six months of 2008, our property catastrophe gross premiums written decreased by \$83.0 million, or 9.1%, to \$828.8 million, compared to the first six months of 2007. The decrease in our catastrophe premiums was primarily due to softening market conditions which resulted in lower premium rates on business written during the first six months of 2008. In general, in addition to overall price declines our clients retained more risk in the first six months

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of 2008 compared to the first six months of 2007 and our underwriters elected to non-renew certain contracts and programs where the pricing and/or terms had deteriorated to levels that were unattractive, all principally driven by a softening market following the low level of insured catastrophe losses occurring during 2007 and 2006.

*Catastrophe Reinsurance Underwriting Results* Our catastrophe unit generated \$249.5 million of underwriting income in the first six months of 2008, compared to \$168.9 million in the first six months of 2007, an increase of \$80.6 million. The increase in underwriting income in the first six months of 2008 was primarily due to a decrease in net claims and claim expenses incurred of \$98.4 million and acquisition expenses of \$23.6 million and partially offset by a decrease in net premiums earned of \$32.9 million as a result of higher ceded premiums earned in the first six months of 2008. The decrease in acquisition expenses is primarily due to an increase in fee income and profit commissions on joint ventures and specialized quota share cessions in our book of business as noted above under *Reinsurance Segment Underwriting Results*. In the first six months of 2008, our catastrophe unit generated a net claims and claim expense ratio of 11.4%, an underwriting expense ratio of 14.7% and a combined ratio of 26.1%, compared to 36.9%, 17.5% and 54.4%, respectively, in the first six months of 2007. Current accident year losses of \$56.3 million were down \$98.3 million from \$154.5 million in the first six months of 2007, principally due to the absence of large catastrophe events that would impact our portfolio such as Kyrill and flood losses in the U.K. that occurred in the first six months of 2007. We experienced \$17.8 million of favorable development on prior year reserves in the first six months of 2008, primarily due to lower than expected claims emergence on relatively small U.S. catastrophes for the 2007 and prior accident years. During the first six months of 2007, we experienced \$17.7 million of favorable development on prior year reserves primarily related to a reduction in the estimated ultimate losses of some relatively small U.S. catastrophes occurring in the 2006 accident year.

**Specialty**

Below is a summary of the underwriting results and ratios for our specialty reinsurance unit for the six months ended June 30, 2008 and 2007:

**Specialty overview**

| Six months ended June 30,<br>(in thousands of U.S. dollars, except ratios) | 2008       | 2007       | Change       |
|--|------------|------------|--------------|
| Specialty gross premiums written   |            |            |              |
| Renaissance  | \$ 98,418  | \$ 200,848 | \$ (102,430) |
| DaVinci  | 4,291      | 9,542      | (5,251)      |
| Total specialty gross premiums written                                     | \$ 102,709 | \$ 210,390 | \$ (107,681) |
| Net premiums written   | \$ 102,709 | \$ 210,390 | \$ (107,681) |
| Net premiums earned  | 120,693    | 110,036    | 10,657       |
| Net claims and claim expenses incurred                                     | 28,716     | 17,793     | 10,923       |
| Acquisition expenses   | 28,064     | 14,763     | 13,301       |
| Operational expenses   | 10,012     | 9,204      | 808          |
| Underwriting income  | \$ 53,901  | \$ 68,276  | \$ (14,375)  |
| Net claims and claim expenses incurred - current accident year             | \$ 72,172  | \$ 80,084  | \$ (7,912)   |
| Net claims and claim expenses incurred - prior accident years              | (43,456)   | (62,291)   | 18,835       |
| Net claims and claim expenses incurred - total                             | \$ 28,716  | \$ 17,793  | \$ 10,923    |
| Net claims and claim expense ratio - current accident year                 | 59.8%      | 72.8%      | (13.0)%      |
| Net claims and claim expense ratio - prior accident years                  | (36.0)%    | (56.6)%    | 20.6%        |
| Net claims and claim expense ratio - calendar year                         | 23.8%      | 16.2%      | 7.6%         |
| Underwriting expense ratio   | 31.5%      | 21.8%      | 9.7%         |

|                |       |       |       |
|----------------|-------|-------|-------|
| Combined ratio | 55.3% | 38.0% | 17.3% |
|----------------|-------|-------|-------|

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*Specialty Reinsurance Gross Premiums Written* In the first six months of 2008, our specialty reinsurance gross premiums written decreased by \$107.7 million, or 51.2%, to \$102.7 million, compared to the first six months of 2007. The decrease in our specialty reinsurance premiums was driven in part by softening market conditions which resulted in lower premium rates on business written during the first six months of 2008. In addition, our specialty reinsurance premiums were also impacted by one large catastrophe exposed personal lines quota share contract which generated \$14.2 million in gross premiums written in the first six months of 2008 compared to \$75.4 million in the first six months of 2007, a decrease of \$61.2 million. The first six months of 2007 benefited from the assumed portfolio transfer in of this contract for the 2007 underwriting year which increased the gross premiums written in that period while the first six months of 2008 was impacted by the portfolio transfer out of the 2007 contract, followed by an assumed portfolio transfer in of the 2008 contract on a lower premium base. Our specialty reinsurance premiums are prone to significant volatility as this business is characterized by a relatively small number of large transactions.

*Specialty Reinsurance Underwriting Results* Our specialty reinsurance unit generated \$53.9 million of underwriting income in the first six months of 2008, compared to \$68.3 million in the first six months of 2007, a decrease of \$14.4 million, primarily due to a \$10.9 million increase in net claims and claim expenses incurred and a \$13.3 million increase in acquisition expenses and partially offset by a \$10.7 million increase in earned premium. The increase in acquisition expenses is primarily attributable to the catastrophe exposed personal lines property quota share reinsurance contract discussed above, which has a higher acquisition expense ratio than our other specialty lines of business. The increase in net premiums earned was a result of the catastrophe exposed personal lines property quota share reinsurance contract noted above earning six months of premium in the first six months of 2008 compared to one month in the first six months of 2007 (June 1, 2007 contract inception date). Current accident year losses of \$72.2 million were down \$7.9 million from \$80.1 million in the first six months of 2007 due primarily to one surety contract being reserved as a full limit loss in the first six months of 2007. During the first six months of 2008, we experienced favorable development on prior year reserves of \$43.5 million which was primarily driven by lower than expected reported claims on prior year reserves. During the first six months of 2007, we experienced \$62.3 million of favorable development on prior accident years primarily as a result of lower loss emergence than initially expected and a change to our initial expected loss ratios for two lines of business. In the first six months of 2008, our specialty unit generated a net claims and claim expense ratio of 23.8%, an underwriting expense ratio of 31.5% and a combined ratio of 55.3%, compared to 16.2%, 21.8% and 38.0%, respectively, in the first six months of 2007.

**Table of Contents****Individual Risk Segment**

Below is a summary of the underwriting results and ratios for our Individual Risk segment for the six months ended June 30, 2008 and 2007:

Individual Risk segment overview

| Six months ended June 30,<br>(in thousands of U.S. dollars, except ratios) | 2008              | 2007              | Change             |
|--|-------------------|-------------------|--------------------|
| Multi-peril crop   | \$ 208,449        | \$ 127,941        | \$ 80,508          |
| Commercial multi-line  | 63,083            | 92,325            | (29,242)           |
| Commercial property  | 91,683            | 117,518           | (25,835)           |
| Personal lines property  | 32,451            | 23,923            | 8,528              |
| <b>Gross premiums written</b>  | <b>\$ 395,666</b> | <b>\$ 361,707</b> | <b>\$ 33,959</b>   |
| <b>Net premiums written</b>  | <b>\$ 321,031</b> | <b>\$ 276,295</b> | <b>\$ 44,736</b>   |
| <b>Net premiums earned</b>   | <b>\$ 226,974</b> | <b>\$ 240,306</b> | <b>\$ (13,332)</b> |
| Net claims and claim expenses incurred                                     | 129,184           | 130,191           | (1,007)            |
| Acquisition expenses   | 56,015            | 68,949            | (12,934)           |
| Operational expenses   | 19,712            | 20,409            | (697)              |
| <b>Underwriting income</b>   | <b>\$ 22,063</b>  | <b>\$ 20,757</b>  | <b>\$ 1,306</b>    |
| Net claims and claim expenses incurred - current accident year             | \$ 162,591        | \$ 156,452        | \$ 6,139           |
| Net claims and claim expenses incurred - prior years                       | (33,407)          | (26,261)          | (7,146)            |
| <b>Net claims and claim expenses incurred - total</b>                      | <b>\$ 129,184</b> | <b>\$ 130,191</b> | <b>\$ (1,007)</b>  |
| Net claims and claim expense ratio - current accident year                 | 71.6%             | 65.1%             | 6.5%               |
| Net claims and claim expense ratio - prior accident years                  | (14.7)%           | (10.9)%           | (3.8)%             |
| <b>Net claims and claim expense ratio - calendar year</b>                  | <b>56.9%</b>      | <b>54.2%</b>      | <b>2.7%</b>        |
| Underwriting expense ratio   | 33.4%             | 37.2%             | (3.8)%             |
| <b>Combined ratio</b>  | <b>90.3%</b>      | <b>91.4%</b>      | <b>(1.1)%</b>      |

*Individual Risk Segment Gross Premiums Written* Premiums generated by our Individual Risk segment increased \$34.0 million, or 9.4%, to \$395.7 million in the first six months of 2008 compared to \$361.7 million in the first six months of 2007. The increase in gross premiums written was primarily due to an increase in premiums from our multi-peril crop insurance and partially offset by our commercial property and commercial multi-line businesses. The \$80.5 million increase in multi-peril crop insurance premium was principally driven by increasing agricultural commodity prices. Agricultural commodity prices impact the amount of premium charged for multi-peril crop insurance and these prices increased significantly for the first six months of 2008 compared to the first six months of 2007. The decrease in commercial property premium was principally driven by the termination of a commercial property quota share contract in the second quarter of 2007 and as a result we did not have gross premiums written from this contract in the first six months of 2008. Net premiums written increased \$44.7 million to \$321.0 million in the first six months of 2008, compared to the first six months of 2007 due to the increase in gross premiums written and a \$10.8 million decrease in ceded premiums written. Our Individual Risk premiums can fluctuate significantly between quarters and between years depending upon the timing of the inception of new program managers and quota share reinsurance contracts, including whether or not we have portfolio transfers in or portfolio transfers out of quota share reinsurance contracts of in force books of business. In addition, our growing agricultural insurance business is subject to fluctuating agricultural commodity prices and substantial seasonal fluctuations.

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*Individual Risk Segment Underwriting Results* Our Individual Risk segment generated \$22.1 million of underwriting income in the first six months of 2008, compared to \$20.8 million in the first six months of 2007, an increase of \$1.3 million. The increase was due to a combination of a \$1.0 million decrease in net



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claims and claim expenses incurred and a \$12.9 million decrease in acquisition expenses and partially offset by a \$13.3 million decrease in net premiums earned. In the first six months of 2008, our Individual Risk segment generated a net claims and claim expense ratio of 56.9%, an underwriting expense ratio of 33.4% and a combined ratio of 90.3%, compared to 54.2%, 37.2% and 91.4%, respectively, in the first six months of 2007. The decrease in the underwriting expense ratio and increase in the net claims and claim expense ratio was driven by the increase in the proportion of net premiums earned from our multi-peril crop insurance business, compared to our other lines of business, as the multi-peril crop insurance business has a lower net acquisition expense ratio and higher net claims and claim expense ratio than our other lines of business. Our Individual Risk prior year reserves experienced favorable development of \$33.4 million in the first six months of 2008 compared to \$26.3 million in the first six months of 2007, which was primarily driven by better than expected claims emergence.

As discussed below under **Reserves for Claims and Claim Expenses**, the most significant accounting judgment made by management is our estimate of claims and claim expense reserves. In our multi-peril crop insurance business, insureds are required under policy terms to report all potential claims whether or not the insured believes that the crops can be re-planted and harvested; therefore, management's estimates are subject to significant variability based on factors such as whether an insured is able to re-plant and ultimately harvest all or a portion of the crop, which will not generally be known until the end of the crop season. In addition, management has to estimate which losses will be ceded to the Federal Crop Insurance Corporation. Our estimate of net claims and claim expenses incurred for the multi-peril crop insurance business reflects these judgments and actual results will vary, perhaps materially so, and be adjusted as new information is known and becomes available.

**Net Investment Income**

| Six months ended June 30,<br>(in thousands of U.S. dollars) | 2008      | 2007       |
|---|-----------|------------|
| Fixed maturity investments available for sale               | \$ 95,843 | \$ 90,017  |
| Short term investments                                      | 31,134    | 57,318     |
| Other investments   |           |            |
| Hedge funds and private equity investments                  | (31,335)  | 63,664     |
| Other   | (2,578)   | 14,951     |
| Cash and cash equivalents                                   | 3,944     | 4,587      |
|   | 97,008    | 230,537    |
| Investment expenses   | (5,820)   | (4,382)    |
| Net investment income                                       | \$ 91,188 | \$ 226,155 |

Net investment income decreased \$135.0 million to \$91.2 million in the first six months of 2008, primarily as a result of lower returns on our portfolio of other investments. Net investment income from our other investments decreased \$112.5 million and resulted in a loss of \$33.9 million in the first six months of 2008 compared to \$78.6 million of net investment income in the first six months of 2007. Of this amount, \$49.8 million relates to net unrealized losses compared with \$46.8 million of net unrealized gains for the six months ended June 30, 2008 and 2007, respectively. The decrease in net investment income from other investments was primarily due to lower returns on our portfolio of hedge funds and private equity investments as well as net unrealized losses associated with our senior secured bank loan funds and non-U.S. fixed income funds, which are included in other investments, primarily due to widening credit spreads in the first six months of 2008. Net investment income from short term investments decreased by \$26.2 million to \$31.1 million for the first six months of 2008 compared with \$57.3 million in the first six months of 2007, principally due to a decrease in the average balances of short term investments as well as a reduction in short term interest rates.

**Table of Contents****Net Realized Investment Losses**

| <b>Six months ended June 30,<br/>(in thousands of U.S. dollars)</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Gross realized gains  | \$ 38,878   | \$ 10,411   |
| Gross realized losses, other than temporary impairments             | (51,955)    | (13,670)    |
| Gross realized losses, other  | (21,754)    | (4,222)     |
| Net realized investment losses                                      | \$ (34,831) | \$ (7,481)  |

In the first six months of 2008, we incurred net realized investment losses of \$34.8 million compared to \$7.5 million in the first six months of 2007. Net realized investment losses in the first six months of 2008 were driven by an increase in other than temporary impairment charges to \$52.0 million, compared to \$13.7 million in the first six months of 2007. Other than temporary impairment charges relate to our fixed maturity investments available for sale. Credit-related impairment charges totaled \$nil and \$nil in the first six months of 2008 and 2007, respectively. None of our fixed maturity investments available for sale were in an unrealized loss position at June 30, 2008.

**Equity in Earnings of Other Ventures**

| <b>Six months ended June 30,<br/>(in thousands of U.S. dollars)</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Top Layer Re  | \$ 6,636    | \$ 7,694    |
| Starbound II  | 2,425       | 344         |
| Tower Hill  | 2,217       | 332         |
| ChannelRe   |             | 10,018      |
| Other   | (156)       | 1,988       |
| Total equity in earnings of other ventures                          | \$ 11,122   | \$ 20,376   |

Equity in earnings of other ventures in the first six months of 2008 principally represents our pro-rata share of the net income from our investments in our joint ventures, Top Layer Re, Starbound II, Tower Hill and ChannelRe. Equity in earnings of other ventures generated \$11.1 million in income in the first six months of 2008, compared to \$20.4 million in the first six months of 2007. The \$9.3 million decrease in equity in earnings of other ventures in the first six months of 2008 compared to the first six months of 2007 is primarily due to lack of equity in earnings from ChannelRe. Due to ChannelRe's estimated unrealized mark-to-market losses in its portfolio of financial guaranty contracts accounted for as derivatives under GAAP, ChannelRe is in a negative shareholders' equity position, and consequently, our investment in ChannelRe is carried at \$nil. Until such time as ChannelRe's shareholders' equity is positive, the Company will not record any equity in earnings in its investment in ChannelRe. The equity pick-up for our earnings in ChannelRe and Tower Hill is recorded one quarter in arrears. Due to market conditions, the Company elected not to participate in a new fully collateralized joint venture in 2008, such as Starbound in 2006 and Starbound II in 2007.

**Table of Contents****Other Income (Loss)**

| Six months ended June 30,<br>(in thousands of U.S. dollars)                        | 2008         | 2007           |
|--|--------------|----------------|
| Weather trading  | \$ 20,479    | \$ (2,291)     |
| Catastrophe-linked securities  | 1,336        | 12             |
| Fee income   | 6            | 2,614          |
| Weather-related and loss mitigation  | (4,083)      | (4,062)        |
| Assumed and ceded reinsurance contracts accounted for at fair value or as deposits | (4,175)      | (14,029)       |
| Mark-to-market on Platinum warrants  | (7,912)      | 7,830          |
| Other items  | 2,337        | 2,225          |
| <br>Total other income (loss)  | <br>\$ 7,988 | <br>\$ (7,701) |

In the first six months of 2008, we generated \$8.0 million of other income compared to \$7.7 million of other loss in the first six months of 2007. The \$15.7 million increase in other income (loss) was primarily due to a \$22.8 million increase in net trading income from our weather trading activities and partially offset by a decrease in fee income due to the expiration of our prior services agreement with Platinum and a \$15.7 million decrease in the fair value on our warrant to purchase 2.5 million shares of Platinum common stock as a result of a decrease in the common share price of Platinum. The weather-trading activities in which we engage are both seasonal and volatile, and there is no assurance that our performance year to date will be indicative of future periods. We also benefited from a \$9.9 million decrease in other loss from our assumed and ceded reinsurance contracts accounted for at fair value or deposits, principally due to the expiration and non-renewal of several of the contracts.

**Other Items**

Interest expense decreased by \$6.4 million to \$12.7 million in the first six months of 2008, compared to \$19.2 million in the first six months of 2007. The decrease in interest expense was primarily due to the redemption of the Company's issued and outstanding 8.54% junior subordinated debentures underlying the 8.54% trust preferred capital securities (the Capital Securities) of the Capital Trust during the first quarter of 2007 and a lower average interest rate on the floating rate DaVinciRe debt during the first six months of 2008 compared to the first six months of 2007.

Minority interest increased \$15.2 million to \$81.7 million in the first six months of 2008, compared to \$66.5 million in the first six months of 2007, due to increased profitability in DaVinciRe in the first six months of 2008 compared to the first six months of 2007. The impact of the increased profitability in DaVinciRe was partially offset by an increase in our ownership of DaVinciRe to 22.8% in the first six months of 2008 from 20.5% in the first six months of 2007, which reduced minority interest.

Income tax expense increased by \$0.6 million to \$1.4 million in the first six months of 2008, compared to \$0.8 million in the first six months of 2007, due in part to higher taxable income from our U.S. operations, which we believe is a trend that is likely to continue in the future. In addition, during the first six months of 2007, we maintained a valuation allowance with respect to our net deferred tax asset as a result of a history of unprofitable operations in the U.S., and as a result, our income tax expense was reduced in the first six months of 2007 by a corresponding reduction in our net deferred tax asset valuation allowance. The valuation allowance was substantially reduced by the end of 2007 and as a result we did not have a similar reduction in our valuation allowance in the first six months of 2008.

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**FINANCIAL CONDITION**

RenaissanceRe is a holding company, and we therefore rely on dividends from our subsidiaries and investment income to make principal and interest payments on our debt, and to make dividend payments to our preference and common shareholders.

The payment of dividends by our U.S. and Bermuda subsidiaries is, under certain circumstances, limited under U.S. statutory regulations and Bermuda insurance law, which require our U.S. and Bermuda insurance subsidiaries to maintain certain measures of solvency and liquidity. At June 30, 2008, the statutory capital and surplus of our Bermuda insurance subsidiaries was \$3.2 billion, and the amount of capital and surplus required to be maintained was \$323.8 million. During the first six months of 2008, Renaissance Reinsurance, DaVinciRe and Glencoe declared aggregate dividends of \$238.1 million, \$nil and \$25.0 million, respectively, compared with \$267.9 million, \$nil and \$nil, respectively, during the first six months of 2007.

Our principal U.S. insurance subsidiary, Stonington, is also required to maintain certain measures of solvency and liquidity. Restrictions with respect to dividends are based on state statutes. In addition, there are restrictions based on risk based capital tests which is the threshold that constitutes the authorized control level. If Stonington's statutory capital and surplus falls below the authorized control level, the Texas Department of Insurance (TDI) is authorized to take whatever regulatory actions it considers necessary to protect policyholders and creditors. At June 30, 2008, the statutory capital and surplus of Stonington was \$124.9 million. Because of an accumulated deficit in earned surplus from prior operations, Stonington cannot currently pay an ordinary dividend without approval from the TDI.

In the aggregate, our operating subsidiaries have historically produced sufficient cash flows to meet their expected claims payments and operational expenses and to provide dividend payments to us. Our subsidiaries also maintain a concentration of investments in high quality liquid securities, which management believes will provide additional liquidity for extraordinary claims payments should the need arise. Additionally, we maintain a \$500.0 million revolving credit facility to meet additional liquidity and capital requirements. At June 30, 2008, we had not drawn against this revolving credit facility. Subsequently, on July 10, 2008, we borrowed \$150.0 million available under this facility to pay at maturity our 7.0% Senior Notes which came due July 15, 2008. See Capital Resources section below.

**CASH FLOWS**

Cash flows from operating activities in the first six months of 2008 were \$376.9 million, which principally consisted of our net income of \$294.0 million, an increase in reserves for unearned premiums of \$430.6 million, and a \$133.3 million increase in reinsurance balances payable, partially offset by a \$490.9 million increase in premiums receivable, among other items. The increase in premiums receivable was principally due to the majority of our June renewals not yet coming due.

Because a large portion of the coverages we provide can produce losses of high severity and low frequency, it is not possible to accurately predict our future cash flows from operating activities. As a consequence, cash flows from operating activities may fluctuate, perhaps significantly, between individual quarters and years. In addition, given the severity of losses incurred in 2005 from the large catastrophes, many of which remain unpaid at June 30, 2008, it is likely that we will experience a significant amount of paid claims in 2008 which could reduce our cash flows from operations during 2008, perhaps significantly.

**RESERVES FOR CLAIMS AND CLAIM EXPENSES**

We believe the most significant accounting judgment made by management is our estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts we sell. We establish our claims and claim expense reserves by taking claims reported to us by insureds and ceding companies, but which have not yet been paid (case reserves), adding the costs for additional case reserves (additional case reserves) which represent our estimates for claims previously reported to us which we believe may not be adequately reserved as of that date, and adding estimates for the anticipated cost of claims incurred but not yet reported to us (IBNR).

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The following table summarizes our claims and claim expense reserves by line of business and split between case reserves, additional case reserves and IBNR at June 30, 2008 and December 31, 2007:

| <b>At June 30, 2008</b><br>(in thousands of U.S. dollars)     | <b>Case Reserves</b> | <b>Additional Case Reserves</b> | <b>IBNR</b>         | <b>Total</b>        |
|---|----------------------|---------------------------------|---------------------|---------------------|
| Property catastrophe reinsurance                              | \$ 207,054           | \$ 253,801                      | \$ 245,737          | \$ 706,592          |
| Specialty reinsurance   | 111,652              | 141,268                         | 400,024             | 652,944             |
| <b>Total Reinsurance</b>                                      | <b>318,706</b>       | <b>395,069</b>                  | <b>645,761</b>      | <b>1,359,536</b>    |
| Individual Risk   | 226,020              | 9,780                           | 414,467             | 650,267             |
| <b>Total</b>  | <b>\$ 544,726</b>    | <b>\$ 404,849</b>               | <b>\$ 1,060,228</b> | <b>\$ 2,009,803</b> |
| <br>  |                      |                                 |                     |                     |
| <b>At December 31, 2007</b><br>(in thousands of U.S. dollars) | <b>Case Reserves</b> | <b>Additional Case Reserves</b> | <b>IBNR</b>         | <b>Total</b>        |
| Property catastrophe reinsurance                              | \$ 275,436           | \$ 287,201                      | \$ 204,487          | \$ 767,124          |
| Specialty reinsurance   | 109,567              | 93,280                          | 448,756             | 651,603             |
| <b>Total Reinsurance</b>                                      | <b>385,003</b>       | <b>380,481</b>                  | <b>653,243</b>      | <b>1,418,727</b>    |
| Individual Risk   | 237,747              | 10,359                          | 361,663             | 609,769             |
| <b>Total</b>  | <b>\$ 622,750</b>    | <b>\$ 390,840</b>               | <b>\$ 1,014,906</b> | <b>\$ 2,028,496</b> |

Our estimates of claims and claim expense reserves are not precise in that, among other matters, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of our reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors which affect reserves and claims payments but cannot be determined with certainty in advance, our ultimate payments will vary, perhaps materially, from our estimates of reserves. If we determine in a subsequent period that adjustments to our previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. During the first six months of 2008 and 2007, changes to prior year estimated claims reserves increased our net income by \$94.7 million and \$106.2 million, respectively.

Our reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for the Company's ultimate settlement and administration costs for claims and claim expenses. We do not calculate a range of estimates. We use this point estimate, along with paid claims and case reserves, to record our best estimate of additional case reserves and IBNR in our financial statements. Under GAAP, we are not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

Reserving for our reinsurance claims involves other uncertainties, such as the dependence on information from ceding companies, which among other matters, includes the time lag inherent in reporting information from the primary insurer to us or to our ceding companies and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information can be received on a monthly, quarterly or transactional basis and normally includes estimates of paid claims and case reserves. We sometimes also receive an estimate or provision for IBNR. This information is often updated and adjusted from time-to-time during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

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Because of the inherent uncertainties discussed above, we have developed a reserving philosophy which attempts to incorporate prudent assumptions and estimates, and we have generally experienced favorable development on prior year reserves in the last several years. However, there is no assurance that this will occur in future periods.

**CAPITAL RESOURCES**

Our total capital resources at June 30, 2008 and December 31, 2007 were as follows:

| (in thousands of U.S. dollars)                   | At June 30,<br>2008 | At December 31,<br>2007 |
|--|---------------------|-------------------------|
| Common shareholders equity                       | \$ 2,723,433        | \$ 2,827,503            |
| Preference shares                                | 650,000             | 650,000                 |
| <b>Total shareholders equity</b>                 | <b>3,373,433</b>    | <b>3,477,503</b>        |
| 7.0% Senior Notes                                | 150,000             | 150,000                 |
| 5.875% Senior Notes                              | 100,000             | 100,000                 |
| DaVinciRe revolving credit facility - borrowed   | 200,000             | 200,000                 |
| DaVinciRe revolving credit facility - unborrowed |                     |                         |
| Revolving credit facility - borrowed             |                     |                         |
| Revolving credit facility - unborrowed           | 500,000             | 500,000                 |
| Renaissance Trading credit facility - borrowed   |                     | 1,951                   |
| Renaissance Trading credit facility - unborrowed | 10,000              | 8,049                   |
| <b>Total capital resources</b>                   | <b>\$ 4,333,433</b> | <b>\$ 4,437,503</b>     |

In the first six months of 2008, our capital resources decreased by \$104.1 million, primarily due to \$352.6 million of common share repurchases and \$29.6 million of dividends on common shares and partially offset by our comprehensive income of \$284.9 million.

In December 2006, we raised \$300.0 million through the issuance of 12 million Series D Preference Shares; in March 2004, we raised \$250.0 million through the issuance of 10 million Series C Preference Shares; and in February 2003, we raised \$100.0 million through the issuance of 4 million Series B Preference Shares. The Series D, Series C and Series B Preference Shares may be redeemed at \$25 per share at our option on or after December 1, 2011, March 23, 2009 and February 4, 2008, respectively. Dividends on the Series D, Series C and Series B Preference Shares are cumulative from the date of original issuance and are payable quarterly in arrears at 6.60%, 6.08% and 7.30%, respectively, when, if, and as declared by the Board of Directors. If RenaissanceRe submits a proposal to our shareholders concerning an amalgamation or submits any proposal that, as a result of any changes to Bermuda law, requires approval of the holders of RenaissanceRe preference shares to vote as a single class, RenaissanceRe may redeem the Series D and Series C Preference Shares prior to December 11, 2011 and March 23, 2009, respectively, at \$26 per share. The preference shares have no stated maturity and are not convertible into any other of our securities.

In January 2003, we issued \$100.0 million of 5.875% Senior Notes due February 15, 2013, with interest on the notes payable on February 15 and August 15 of each year, commencing August 15, 2003. The notes can be redeemed by us prior to maturity subject to payment of a make-whole premium; however, we have no current intention to call the notes. The notes, which are senior obligations, contain various covenants, including limitations on mergers and consolidations, restrictions as to the disposition of stock of designated subsidiaries and limitations on liens on the stock of designated subsidiaries. RenaissanceRe was in compliance with the related covenants at June 30, 2008. In July 2001, we issued \$150.0 million of 7.0% Senior Notes which came due July 15, 2008. The notes were paid at maturity on July 15, 2008 using existing capital resources, as discussed above in Financial Condition .

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During April 2006, DaVinciRe amended and restated its credit agreement to, among other things, (i) extend the termination date of the revolving credit facility established thereunder from May 25, 2010 to April 5, 2011; (ii) increase the borrowing capacity to \$200.0 million; and (iii) increase the minimum net worth requirement with respect to DaVinciRe and DaVinci by \$100.0 million to \$350.0 million and \$450.0 million, respectively. All other material terms and conditions in the credit agreement remained the same, including the requirement that DaVinciRe maintain a debt to capital ratio of 30% or below. At June 30, 2008, the initial \$100.0 million drawn in 2002 remained outstanding as did an additional borrowing of \$100.0 million which was made during 2006. Interest rates on the facility are based on a spread above LIBOR, and averaged approximately 4.4% during the first six months of 2008 and 6.0% during the first six months of 2007. The term of the credit facility may be further extended and the size of the facility may be increased to \$250.0 million if certain conditions are met. At June 30, 2008, DaVinciRe was in compliance with the covenants under this agreement. Neither RenaissanceRe nor Renaissance Reinsurance is a guarantor of this facility and the lenders have no recourse against us or our subsidiaries other than DaVinciRe and DaVinci under the DaVinciRe facility. Pursuant to the terms of the \$500.0 million revolving credit facility maintained by RenaissanceRe, a default by DaVinciRe on its obligations will not result in a default under the RenaissanceRe facility.

Under the terms of certain reinsurance contracts, our insurance and reinsurance subsidiaries and joint ventures may be required to provide letters of credit to reinsureds in respect of reported claims and/or unearned premiums. Our principal letter of credit facility is a syndicated secured facility which accepts as collateral shares issued by our subsidiary Renaissance Investment Holdings Ltd. ( RIHL ). Our participating operating subsidiaries and our managed joint ventures have pledged (and must maintain as pledged) RIHL shares issued to them with a sufficient collateral value to support their respective obligations under the facility, including reimbursement obligations for outstanding letters of credit. The participating subsidiaries and joint ventures have the option to post alternative forms of collateral. In addition, for liquidity purposes, in order to be permitted to pledge RIHL shares as collateral, each participating subsidiary and joint venture must maintain additional unpledged RIHL shares that have a net asset value at least equal to 15% of its facility usage, and RIHL shares having an aggregate net asset value equal to at least 15% of the net asset value of all outstanding RIHL shares must remain unencumbered. In the case of a default under the facility, or in other circumstances in which the rights of our lenders to collect on their collateral may be impaired, the lenders may exercise certain remedies under the facility agreement, in accordance with and subject to its terms, including redemption of pledged shares and conversion of the collateral into cash or eligible marketable securities. The redemption of shares by the collateral agent takes priority over any pending redemption of unpledged shares by us or other holders. On April 27, 2007, the reimbursement agreement was amended and restated to, among other things, (i) extend the term of the agreement to April 6, 2010; (ii) change the total commitment thereunder from \$1.7 billion to \$1.4 billion; (iii) provide for the potential increase of the total commitment to up to \$1.8 billion if certain conditions are met; and (iv) increase the minimum net worth requirement with respect to DaVinci by \$150.0 million to \$300.0 million. At June 30, 2008, we had \$968.6 million of letters of credit with effective dates on or before June 30, 2008 outstanding under the facility and total letters of credit outstanding under all facilities of \$1,006.1 million.

Our subsidiary, Stonington, has provided letters of credit in the amount of \$17.9 million to two counterparties which are secured by cash and eligible marketable securities. In connection with our Top Layer Re joint venture, we have committed \$37.5 million of collateral to support a letter of credit and are obligated to make a mandatory capital contribution of up to \$50.0 million in the event that a loss reduces Top Layer Re s capital below a specified level.

During August 2004, we amended and restated our committed revolving credit agreement to increase the facility from \$400.0 million to \$500.0 million, to extend the term to August 6, 2009 and to make certain other changes. The interest rates on this facility are based on a spread above LIBOR. No advances were outstanding under this facility at June 30, 2008 (December 31, 2007 \$nil). On July 10, 2008, we borrowed \$150.0 million available under this facility to pay at maturity our 7.0% Senior Notes which came due on July 15, 2008. Interest rates on the facility are based on a spread above LIBOR, and averaged nil% during the first six months of 2008 as there were no advances outstanding during the first six months ending June 30, 2008 (June 30, 2007 nil%). As amended, the agreement contains certain financial

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covenants. These covenants generally provide that consolidated debt to capital shall not exceed the ratio (the Debt to Capital Ratio) of 0.35:1 and that the consolidated net worth (the Net Worth Requirements) of RenaissanceRe and Renaissance Reinsurance shall equal or exceed \$1.0 billion and \$500.0 million, respectively, subject to certain adjustments under certain circumstances in the case of the Debt to Capital Ratio and certain grace periods in the case of the Net Worth Requirements, all as more fully set forth in the agreement. We have the right, subject to certain conditions, to increase the size of this facility to \$600.0 million.

In the fourth quarter of 2005 our consolidated joint venture, DaVinciRe, raised \$320.6 million of equity capital. The capital was funded by new and existing investors, including \$50.0 million contributed by us. In conjunction with the transaction, we modified the DaVinciRe shareholders agreement and provided new and existing shareholders with certain new rights. The second amended and restated shareholders agreement provides DaVinciRe shareholders, excluding us, with certain redemption rights, which allow each shareholder to notify DaVinciRe of such shareholder's desire for DaVinciRe to repurchase up to half of such shareholder's aggregate number of shares held. Any share repurchases are subject to certain limitations, as described in the second amended and restated shareholders agreement, such as limiting the aggregate of all share repurchase requests to 25% of DaVinciRe's capital in any given year and subject to ensuring all applicable regulatory requirements are met. If the total shareholder requests exceed 25% of DaVinciRe's capital, the number of shares repurchased will be reduced among the requesting shareholders pro rata, based on the amounts desired to be repurchased. Shareholders must notify DaVinciRe before March 1 of each year, if they desire to have DaVinciRe repurchase shares. The repurchase price will be GAAP book value as of the end of the year in which the shareholder notice is given, and the repurchase will be effective as of such date. Payment will be made by April 1 of the following year, following delivery of the audited financial statements for the year in which the repurchase was effective. The repurchase price will be subject to a true-up for development on outstanding loss reserves after settlement of all claims relating to the applicable years. Certain shareholders had put in repurchase notices on or before the March 1, 2008 repurchase notice date. The repurchase notice was for shares with a GAAP book value of \$256.3 million at December 31, 2007. We did not submit any of our shares for repurchase.

Effective January 1, 2008, as provided in the Shareholders Agreement, DaVinci repurchased 75,495 of its common shares at GAAP book value per share for \$100.0 million. The amount paid in excess of par value was recorded as a reduction to additional paid-in capital. We continue to maintain majority voting control of DaVinciRe and, accordingly, will continue consolidating the results of DaVinciRe into the Company's consolidated results of operations and financial position. Our economic ownership interest in DaVinciRe was 22.8% at June 30, 2008 compared to 20.5% at December 31, 2007.

Renaissance Trading maintains a brokerage facility with a leading prime broker, which has an associated margin facility. This margin facility, which we believe allows Renaissance Trading to prudently manage its cash position related to its exchange traded products, is supported by a \$10.0 million guarantee issued by RenaissanceRe. Interest on amounts outstanding under this facility is at overnight LIBOR plus 75 basis points. At June 30, 2008, \$nil was outstanding under the facility.

**SHAREHOLDERS EQUITY**

In the first six months of 2008, our consolidated shareholders' equity decreased by \$104.1 million to \$3.4 billion at June 30, 2008, from \$3.5 billion at December 31, 2007. The change in shareholders' equity was primarily due to the repurchase of \$352.6 million of our common stock, as well as \$29.6 million of dividends paid to our common shareholders and partially offset by our comprehensive income of \$284.9 million during the first six months of 2008.



**Table of Contents****INVESTMENTS**

The table below shows the aggregate amounts of our invested assets:

| (in thousands of U.S. dollars)                               | At June 30,<br>2008 | At December 31,<br>2007 |
|--|---------------------|-------------------------|
| Fixed maturity investments available for sale, at fair value | \$ 3,775,345        | \$ 3,914,363            |
| Short term investments, at fair value                        | 1,400,884           | 1,821,549               |
| Other investments, at fair value                             | 927,247             | 807,864                 |
| Total managed investments portfolio                          | 6,103,476           | 6,543,776               |
| Investments in other ventures, under equity method           | 104,438             | 90,572                  |
| Total investments  | \$ 6,207,914        | \$ 6,634,348            |

At June 30, 2008, our total investments decreased \$426.4 million to \$6.2 billion, compared to \$6.6 billion at December 31, 2007. The decrease is primarily due to the sale of securities to repurchase our common shares as discussed under Part II, Item 2 Unregistered Sales of Equity Securities and Use of Proceeds.

Because the reinsurance coverages we sell include substantial protection for damages resulting from natural and man-made catastrophes, we expect from time to time to become liable for substantial claim payments on short notice. Accordingly, our investment portfolio as a whole is structured to seek to preserve capital and provide a high level of liquidity which means that the large majority of our investment portfolio consists of highly rated fixed income securities, including U.S. Treasuries, highly rated sovereign and supranational securities, high-grade corporate securities and mortgage-backed and asset-backed securities. At June 30, 2008, our invested asset portfolio of fixed maturities and short term investments had a dollar weighted average rating of AA (December 31, 2007 AA), an average duration of 2.1 years (December 31, 2007 1.8 years) and an average yield to maturity of 4.1% (December 31, 2007 4.5%). The 0.4 percentage point decrease in the average yield to maturity is primarily due to the overall decrease in interest rates during the six months ended June 30, 2008.

**Other Investments**

The table below shows our portfolio of other investments:

| (in thousands of U.S. dollars)  | At June 30,<br>2008 | At December 31,<br>2007 |
|---------------------------------|---------------------|-------------------------|
| Private equity partnerships     | \$ 297,877          | \$ 301,446              |
| Senior secured bank loan funds  | 290,801             | 158,203                 |
| Hedge funds                     | 125,204             | 126,417                 |
| Non-U.S. fixed income funds     | 122,970             | 126,252                 |
| Catastrophe bonds               | 56,774              | 95,535                  |
| Miscellaneous other investments | 33,621              | 11                      |
| Total other investments         | \$ 927,247          | \$ 807,864              |

The fair value of certain of our other investments is generally established on the basis of the net valuation criteria established by the managers of such investments, if applicable. These net valuations are determined based upon the valuation criteria established by the governing documents of such investments. Such valuations may differ significantly from the values that would have been used had ready markets existed for the shares, partnership interests or notes. Many of the investments are subject to restrictions on redemptions and sale which are determined by the governing documents and limit our ability to liquidate these investments in the short term. Due to a lag in the valuations reported by the fund managers, our



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private equity partnership valuations are generally reported on a quarter lag and some of our hedge fund investments may be reported on a one month lag. Our estimate of the fair value of catastrophe bonds are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications. Interest income, income distributions and realized and unrealized gains and losses on other investments are included in net investment income and resulted in a loss of \$33.9 million for the six months ending June 30, 2008, compared to \$78.6 million of income for the six months ending June 30, 2007. Of this amount, \$49.8 million relates to net unrealized losses compared with \$46.8 million of net unrealized gains for the six months ended June 30, 2008 and 2007, respectively.

We have committed capital to private equity partnerships of \$563.2 million, of which \$318.7 million has been contributed at June 30, 2008.

**EFFECTS OF INFLATION**

The potential exists, after a catastrophe loss, for the development of inflationary pressures in a local economy. The anticipated effects on us are considered in our catastrophe loss models. The effects of inflation are also considered in pricing and in estimating reserves for unpaid claims and claim expenses. The actual effects of this post-event inflation on our results cannot be accurately known until claims are ultimately settled.

**OFF-BALANCE SHEET AND SPECIAL PURPOSE ENTITY ARRANGEMENTS**

At June 30, 2008, we have not entered into any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

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**CONTRACTUAL OBLIGATIONS**

In the normal course of its business, the Company is a party to a variety of contractual obligations as summarized in the Company's 2007 Annual Report on Form 10-K, as amended. These contractual obligations are considered by the Company when assessing its liquidity requirements. Contractual obligations at June 30, 2008 have not changed materially compared to December 31, 2007.

In certain circumstances, our contractual obligations may be accelerated to dates other than those in the Company's 2007 Annual Report on Form 10-K, as amended, due to defaults under the agreement governing those obligations (including pursuant to cross-default provisions in such agreement) or in connection with certain changes in control of the Company, if applicable. In addition, in connection with any such default under the agreement governing these obligations, in certain circumstances these obligations may bear an increased interest rate or be subject to penalties as a result of such a default.

**CURRENT OUTLOOK**

*Market Conditions*

The 2007 hurricane season proved to be an active year meteorologically, with the occurrence of two category 5 hurricanes making landfall in North America, as well as a number of smaller windstorms. However, in terms of insured industry losses, 2007 was relatively benign, particularly in the U.S. This is in contrast to 2005, for example, in which hurricane Katrina resulted in a record level of insured property losses, and which was also characterized by a large number of other catastrophic insured losses, including hurricanes Emily, Rita and Wilma, European windstorm Erwin and flooding in several European cities. Those losses followed an active year in 2004, in which there were four major hurricanes that made landfall in Florida. Such losses, together with a number of scientific studies and reports, including reports relating to the possibility of long-term climate change, increased the perception of risk held by many industry stakeholders, including rating agencies, ceding companies, and other market participants, which contributed to increased demand for catastrophe-exposed insurance and reinsurance during 2006 and 2007. The affected lines included catastrophe reinsurance and catastrophe-exposed homeowners business, as well as other catastrophe-exposed lines of business, such as large account commercial property. This increased demand, along with improved pricing and policy terms resulted in an increase in new capital within the industry including substantial new company formation, with a significant amount of capital raised to support the affected catastrophe exposed classes of business.

The benign insured catastrophe loss activity in 2006 and 2007, combined with the new capital within the industry as noted above, have contributed to a marked increase in competition in catastrophe insurance and reinsurance products. We currently expect competition to continue to increase in 2008. In 2007, these market dynamics and increased overall supply levels unfavorably impacted the non-catastrophe lines in which we participate. These trends have continued, and in some respects have accelerated, in 2008. For example, a market report issued by a leading global intermediary found that, in respect of property catastrophe policies placed at July 1, 2008, risk-adjusted pricing dropped 10-20% relative to July 1, 2007. We believe that our strong relationships, and track record of superior claims paying and other client service, will enable us to compete for the business we find attractive. However, it is possible that industry pricing in our core product lines will decrease more rapidly than we anticipate, or that we will encounter more significant competitive barriers than we have in the past.

The market for our catastrophe reinsurance products is generally dynamic and volatile. The market dynamics noted above, increased or decreased catastrophe loss activity, and changes in the amount of capital in the industry can result in significant changes to the pricing, policy terms and demand for our catastrophe reinsurance contracts over a relatively short period of time. In addition, changes in state-sponsored catastrophe funds such as the Florida Hurricane Catastrophe Fund ( FHCF ), or the implementation of new government-subsidized or sponsored programs, can dramatically alter market conditions.

With respect to our Individual Risk business, we currently expect increased pricing pressures across many of the lines of business we have written in the last several years. For example, a recent report issued by the

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Council of Insurance Agents & Brokers found continuing premium rate declines for commercial accounts in excess of 10% for a second consecutive year, with rates in the southeast U.S. now approaching pre-Katrina levels. In addition, we believe that we will experience increasing competition for attractive new programs, and for the retention of our current programs, in light of current market dynamics. We plan to continue our disciplined underwriting approach with respect to both the products which we underwrite and the programs as to which we form partnerships. While we continuously and actively consider new or expanded relationships, our in-depth due diligence process means that growth opportunities within this segment take time, although we intend to seek to respond quickly to potential growth opportunities. We believe that we have established ourselves as an effective and creative, though disciplined, partner, and as a result we are presented with many of the more attractive opportunities to analyze and compete for.

We continue to expand the capabilities of our ventures unit to explore potential strategic investments and other opportunities. In evaluating such new ventures, we seek an attractive return on equity, the ability to develop or capitalize on a competitive advantage, and opportunities that will not detract from our core operations. Among other things, we currently expect that the recent and continuing dislocation in the capital and credit markets may present potentially attractive investment and operational opportunities, particularly given our strong reputation and financial resources, and the capabilities of our ventures unit.

### *Legislative and Regulatory Update*

In January 2007, the State of Florida enacted legislation known as Bill No. CS/HB-1A, which increased the access of primary Florida insurers to the FHCF. Through the FHCF, the State of Florida currently provides below market rate reinsurance of up to \$28.0 billion per season, an increase from the previous cap of \$16.0 billion, with the State able to further increase the limits up to an additional \$4.0 billion per season. In addition, the legislation allows Florida insurers to choose a lower retention level for FHCF reinsurance coverage, at specified rates for specified layers of coverage. Further, the legislation expanded the ability of Citizens Property Insurance Corporation ( Citizens ), a state-sponsored entity, to compete with private insurance companies, such as ours. During the second quarter of 2008, the Florida legislature considered but ultimately did not pass a bill that would have reduced the coverage currently provided by the FHCF from \$28.0 to \$25.0 billion.

Even if this reform had been enacted, we had not expected a significant impact on terms or conditions in the Florida reinsurance market, or the market for our products more generally. In addition, the Florida legislature did pass legislation (the Florida Bill ) that, among other things, continued the freeze of Citizens rates until at least July 1, 2009 and capped increases for three years thereafter, revised aspects of the size and allocation of assessments, allowed Citizens to continue to insure homes worth over \$1.0 million, doubled the amount of fines that may be imposed by the Florida Office of Insurance Regulator for certain violations, extended the repeal of the use and file option for property insurance rate increases for another year, repealed the option of arbitration for resolution of rate filing disagreements, required that projected hurricane losses must be estimated for ratemaking purposes by admitted companies using a model approved by a state commission, and affected certain other changes. It is possible that this legislation will have an adverse impact on existing participants in the Florida market, including our clients and investees, on us directly, or on the private Florida insurance market generally.

In 2007, the U.S. House of Representatives passed legislation, H.R. 3121, the Flood Insurance Reform and Modernization Act, which would renew, expand and alter the National Flood Insurance Program ( NFIP ). The NFIP, which is operated by the Federal Emergency Management Agency ( FEMA ), provides subsidized flood insurance in identified flood plain zones. H.R. 3121 includes a provision, sponsored by Rep. Gene Taylor (D-MS) (the Taylor Amendment ), that would expand the NFIP to cover damage to or loss of real or related personal property located in the U.S. arising from any windstorm (any hurricane, tornado, cyclone, typhoon, or other wind event). The Taylor Amendment, as approved by the House, would provide coverage up to \$0.5 million for a single-family dwelling, \$0.5 million for a dwelling unit within a multiple-dwelling structure, approximately \$0.2 million for the contents of a dwelling unit, \$1.0 million for non-residential properties, and approximately \$0.8 million for the contents of a non-residential property.

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Also in 2007, the U.S. House of Representatives approved another proposed bill, H.R. 3355, the Homeowners Defense Act of 2007 co-sponsored by Reps. Ron Klein (D-FL) and Tim Mahoney (D-FL) (the Klein-Mahoney Bill ). The Klein-Mahoney Bill contains two titles, one that would create a National Catastrophe Risk Consortium and one that would require the U.S. Treasury Department to establish a national homeowners insurance stabilization program. The National Catastrophe Risk Consortium program would allow multiple participating states to pool state sponsored catastrophic risk insured or reinsured in wind pools or other residual markets. The stabilization program would allow the Treasury Department to make below-cost loans to participating states or their reinsurance pools and/or residual markets.

In May 2008, in the context of considering renewal of NFIP, the Senate rejected an amendment analogous to the Taylor Amendment by a vote of 74-19; the Senate's version of NFIP renewal then passed the Senate 92-6. To date, the Klein-Mahoney Bill has also not been approved by the Senate. In addition, the Bush Administration has indicated that it would likely veto H.R. 3121 and the Klein-Mahoney Bill in their current form. However, we can provide no assurance that this legislation or similar legislation will not be adopted. Passage of such legislation would adversely affect us, perhaps materially.

We are monitoring these developments carefully. Because of our position as one of the largest providers of catastrophe-exposed coverage, both on a global basis and in respect of certain specific catastrophe-exposed markets including Florida, the Florida Bill and the potential federal legislation described above may have a disproportionate adverse impact on us compared to other market participants.

Congress has recently conducted hearings relating to the tax treatment of offshore insurance and is reported to be considering legislation that would adversely affect reinsurance between affiliates and offshore insurance and reinsurance more generally. One such proposal would increase the excise tax rate on reinsurance premiums paid to affiliated foreign reinsurers from 1% to 4% and another proposal would limit deductions for premiums ceded to affiliated non-U.S. companies above certain levels. Other proposals relating to cross-border transactions, intangible products, or non-U.S. jurisdictions generally have been introduced in a number of Congressional committees. Enactment of some versions of such legislation, depending on the specific details, could adversely affect our financial results.

The agriculture-related insurance business in which we participate is subject to federal legislation and oversight. During the second quarter, H.R. 2419 (the Farm Bill ) was signed into law in a form which we do not expect will result in a negative impact on the overall availability of Federal crop insurance, or be materially adverse to us.

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### NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us.

In particular, statements using words such as may, should, estimate, expect, anticipate, intends, believe, predict, potential, or will, or words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in Management's Discussion and Analysis of Financial Condition and Results of Operations with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, reserves, overall market trends, risk management and exchange rates. This Form 10-Q also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, trends in market conditions, market standing and product volumes, investment results, government initiatives and regulatory matters, and pricing conditions in the reinsurance and insurance industries.

In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this report should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including the following:

we are exposed to significant losses from catastrophic events and other exposures that we cover, which we expect to cause significant volatility in our financial results from time to time;

the frequency and severity of catastrophic events or other events which we cover could exceed our estimates and cause losses greater than we expect;

risks associated with implementing our business strategies and initiatives, including the risks with building the operations, controls and other infrastructure necessary in respect of our more recent, new or proposed initiatives;

risks relating to adverse legislative developments, including the risk of new legislation in Florida continuing to expand the reinsurance coverages offered by the FHCF and the insurance policies written by the state-sponsored Citizens, or failing to reduce such coverages; the risk of new, similar legislation in other states, the risk of adverse tax related legislation; and the risk that additional state-based or new federal legislation will be enacted and adversely impact us;

risks relating to our strategy of relying on program managers, third-party administrators, and other vendors to support our Individual Risk operations;

other risks of doing business with program managers, including the risk we might be bound to policyholder obligations beyond our underwriting intent, and the risk that our program managers or agents may elect not to continue or renew their programs with us;

the risk of the lowering or loss of any of the ratings of RenaissanceRe or of one or more of our subsidiaries or changes in the policies or practices of the rating agencies;

the inherent uncertainties in our reserving process, including those related to the 2005 catastrophes, which uncertainties we believe are increasing as we diversify into new product classes;

risks associated with executing our strategy in our newer specialty reinsurance and Individual Risk businesses;



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risks associated with appropriately modeling, pricing for, and contractually addressing new or potential factors in loss emergence, such as the trend toward potentially significant global warming and other aspects of climate change which have the potential to adversely affect our business, or the potential for significant industry losses from a matter such as an avian flu pandemic which could cause us to underestimate our exposures and potentially adversely impact our financial results;

risks due to our dependence on a few insurance and reinsurance brokers for a large portion of our revenue, a risk we believe is increasing as a larger portion of our business is provided by a small number of these brokers;

failures of our reinsurers, brokers or program managers to honor their obligations, including their obligations to make third-party payments for which we might be liable;

risks that our portfolio of business continues to be increasingly characterized by a relatively small number of relatively large transactions with reinsurance clients, program managers or companies with whom we do business;

emerging claims and coverage issues, which could expand our obligations beyond the amount we intend to underwrite;

changes in economic conditions, including interest rate, currency, equity and credit conditions which could affect our investment portfolio or declines in our investment returns for other reasons, which risks we believe to be currently enhanced in light of prevailing conditions in the global credit and U.S. housing markets;

loss of services of any one of our key executive officers, or difficulties associated with the transition of new members of our senior management team;

a contention by the U.S. Internal Revenue Service that our Bermuda subsidiaries, including Renaissance Reinsurance, DaVinciRe, Glencoe, Top Layer Re, Renaissance Investment Management Company Limited and RIHL, are subject to U.S. taxation;

the passage of federal or state legislation subjecting Renaissance Reinsurance or our other Bermuda subsidiaries to supervision, regulation or taxation in the U.S. or other jurisdictions in which we operate;

changes in insurance regulations in the U.S. or other jurisdictions in which we operate, including the risks that U.S. federal or state governments will take actions to diminish the size of the private markets in respect of the coverages we offer, the risk of potential challenges to the Company's claim of exemption from insurance regulation under current laws and the risk of increased global regulation of the insurance and reinsurance industry;

operational risks, including system or human failures;

risks that we may require additional capital in the future, in particular after a catastrophic event, which may not be available or may be available only on unfavorable terms, the risk of which may be heightened during the current period of financial market dislocation;

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the risk that ongoing or future industry regulatory developments will disrupt our business, or that of our business partners, or mandate changes in industry practices in ways that increase our costs, decrease our revenues or require us to alter aspects of the way we do business;

risks that the ongoing industry investigations, or the current governmental investigations and related proceedings involving former executives of the Company might impact us adversely, including as regards to our senior executive team;

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we expect to be affected by increased competition, including from the relatively new entrants formed following hurricane Katrina, and from new competition from non-traditional participants as capital markets products provide alternatives and replacements for our more traditional reinsurance and insurance products;

the risk that there could be regulations or legislative changes adversely impacting us, as a Bermuda-based company, relative to our competitors, or actions taken by multinational organizations having such an impact;

risks arising out of possible changes in the distribution or placement of risks due to increased consolidation of clients or insurance and reinsurance brokers, or program managers, or from potential changes in their business practices which may be required by future regulatory changes;

risks relating to the availability and collectability of third party reinsurance and other coverages purchased by our Reinsurance and Individual Risk operations;

extraordinary events affecting our clients or brokers, such as bankruptcies and liquidations, and the risk that we may not retain or replace our large clients;

acts of terrorism, war or political unrest;

possible challenges in maintaining our fee-based operations, including risks associated with retaining our existing partners and attracting potential new partners;

acquisitions or strategic investments that we have made or may make could turn out to be unsuccessful;

exposure to the sub-prime mortgage securities market, which has resulted in significant credit spread widening, prolonged illiquidity, reduced price transparency and increased volatility in the investments, capital and financial guaranty markets, as well as underwriting-related losses; and

the risk that we could be deemed to have failed to comply with the terms of the Company's settlement agreement, or otherwise to have cooperated, with the SEC.

*The factors listed above should not be construed as exhaustive. Certain of these factors are described in more detail from time to time in our filings with the SEC. We undertake no obligation to release publicly the results of any future revisions we may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.*

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**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are principally exposed to five types of market risk: interest rate risk; foreign currency risk; equity price risk; credit risk; and energy and weather-related risk. The Company's investment guidelines permit, subject to approval, investments in derivative instruments such as futures, options, foreign currency forward contracts and swap agreements, which may be used to assume risks or for hedging purposes. See the Company's Form 10-K, as amended, for the fiscal year ended December 31, 2007 for additional information related to the Company's exposure to these risks.

**Item 4. CONTROLS AND PROCEDURES**

*Disclosure Controls and Internal Controls:* We have designed various disclosure controls and procedures (as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act), to help ensure that information required to be disclosed in our periodic Exchange Act reports, such as this quarterly report, is recorded, processed, summarized and reported on a timely and accurate basis. Our disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our senior management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on financial statements.

*Limitations on the effectiveness of controls:* Our Board of Directors and management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. Controls, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls are met. Further, we believe that the design of prudent controls must reflect appropriate resource constraints, such that the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all controls, there can be no absolute assurance that all control issues and instances of fraud, if any, applicable to us have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some individuals, by collusion of more than one person, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*Evaluation:* An evaluation was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based upon that evaluation, the Company's management, including our Chief Executive Officer and Chief Financial Officer, concluded that, at June 30, 2008, the Company's disclosure controls and procedures were effective at the reasonable assurance level in ensuring that information required to be disclosed in Company reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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### **Part II OTHER INFORMATION**

#### **Item 1 Legal Proceedings**

There are no material changes from the legal proceedings previously disclosed in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2007 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

We continue to strive to comply with the settlement agreement with the SEC; however, it is possible that we will fail to do so, or that the enforcement staff of the SEC and/or the independent consultant may take issue with our cooperation despite our efforts. Any such failure to comply with the settlement agreement or any perception that we have failed to comply could adversely affect us, perhaps materially so.

As disclosed previously by the Company and in publicly available court records, the civil litigation between the SEC and James M. Stanard, the Company's former Chairman and Chief Executive Officer, to which the Company is not a party, is currently scheduled to go to trial in September 2008. Mr. Stanard's motion for summary judgment was recently dismissed. This ongoing matter could give rise to additional costs, distractions, or impacts to our reputation. It is possible that the ongoing investigation into its former officers could give rise to additional investigations or proceedings being commenced against us and/or our current or former senior executives in connection with these matters, which could be criminal or civil. While we intend to continue to cooperate with the ongoing investigations, we are unable to predict the ultimate outcome of these ongoing matters or the ultimate impact these investigations may have on our business, including as to our senior management team.

Our operating subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages. Generally, our primary insurance operations are subject to greater frequency and diversity of claims and claims-related litigation and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving claims on policies issued by our subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in our reserves for claims and claim expenses which are discussed in more detail above under Reserves for Claims and Claim Expenses. In addition to claims litigation, the Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This category of business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory activity or disputes arising from our business ventures. Any such litigation or arbitration contains an element of uncertainty, and we believe the inherent uncertainty in such matters may have increased recently and will likely continue to increase. Currently, we believe that no individual, normal course litigation or arbitration to which we are presently a party is likely to have a material adverse effect on our financial condition, business or operations.

#### **Item 1A Risk Factors**

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2007.

#### **Item 2 Unregistered Sales of Equity Securities and Use of Proceeds**

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. On May 20, 2008, the Board of Directors publicly announced an increase in the Company's authorized share repurchase program to \$500.0 million. Unless terminated earlier by resolution of the Company's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The table below details the repurchases that were made under the program during the three months ended June 30, 2008, and also includes other shares purchased which represents withholdings from employees surrendered in respect of withholding tax obligations on the vesting of restricted stock, or in lieu of cash payments for the exercise price of employee stock options.

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|  | Total shares purchased |                         | Other shares purchased |                         | Shares purchased under repurchase program |                         | Dollar amount still available under repurchase program (in millions) |
|--|------------------------|-------------------------|------------------------|-------------------------|---|-------------------------|--|
|  | Shares purchased       | Average price per share | Shares purchased       | Average price per share | Shares purchased                          | Average price per share |  |
| Beginning dollar amount available to be repurchased                            |                        |                         |                        |                         |   |                         | \$ 137.7   |
| April 1 - 30, 2008   | 482,759                | \$ 52.92                | 59                     | \$ 54.47                | 482,700                                   | \$ 52.92                | (25.5)   |
| May 1 - 20, 2008   | 901,050                | \$ 51.58                | 15,750                 | \$ 52.23                | 885,300                                   | \$ 51.57                | (45.7)   |
| May 20, 2008 - increase authorized share repurchase program to \$500.0 million |                        |                         |                        |                         |   |                         | 433.5  |
| Dollar amount available to be repurchased                                      |                        |                         |                        |                         |   |                         | 500.0  |
| May 21 - 31, 2008  | 716,100                | \$ 52.22                |                        | \$                      | 716,100                                   | \$ 52.22                | (37.4)   |
| June 1 - 30, 2008  | 83,636                 | \$ 52.38                | 36                     | \$ 52.37                | 83,600                                    | \$ 52.38                | (4.4)  |
| Total  | 2,183,545              | \$ 52.12                | 15,845                 | \$ 52.24                | 2,167,700                                 | \$ 52.12                | \$ 458.2   |

Shares repurchased under the repurchase program during the three months ended June 30, 2008 were effected in open market transactions, including shares that were repurchased pursuant to trading plans adopted by the Company under Rule 10b5-1, including a plan which the Company entered into on March 10, 2008 and which expired on May 2, 2008. Subsequent to June 30, 2008 and through July 24, 2008, the Company repurchased an additional 1.6 million shares at an aggregate cost of \$74.8 million and at an average share price of \$46.54, all of which were repurchased pursuant to a trading plan adopted by the Company under Rule 10b5-1 on June 2, 2008, effective July 2, 2008. At July 24, 2008, \$383.4 million remained available for repurchase under the Company's share repurchase program. In the future, the Company may adopt additional trading plans or authorize purchase activities under the remaining authorization, which the Board may increase in the future.

**Item 3 Defaults Upon Senior Securities**

None

**Item 4 Submission of Matters to a Vote of Security Holders**

- (a) Our 2008 Annual General Meeting of Shareholders was held on May 19, 2008.
- (b) Proxies were solicited by our management pursuant to Regulation 14A under the Exchange Act; there was no solicitation of opposition to our nominees listed in the proxy statement; the re-elected directors were re-elected for three year terms as described in item (c)(1) below. The other directors, whose terms of office as a director continued after the meeting are:

W. James MacGinnitie  
Thomas A. Cooper  
Neill A. Currie  
William F. Hecht

Henry Klehm, III  
Ralph B. Levy  
Nicholas L. Trivisonno

- (c) The following matters were voted upon at the Annual General Meeting with the voting results indicated:

- (1) The Board Nominees Proposal

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Our By-laws provide for a classified Board, divided into three classes of approximately equal size. At the 2008 Annual Meeting, the shareholders elected four Class I Directors, who shall serve until our 2011 Annual Meeting.

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| <b>Nominee</b>       | <b>Votes For</b> | <b>Votes Withheld</b> |
|----------------------|------------------|-----------------------|
| David C. Bushnell    | 57,167,684       | 252,888               |
| James L. Gibbons     | 57,169,412       | 251,160               |
| Jean D. Hamilton     | 57,166,362       | 254,210               |
| Anthony M. Santomero | 57,169,109       | 251,463               |

(2) The Auditors Proposal

Our shareholders voted to approve the appointment of Ernst & Young Ltd. as our independent auditors for the 2008 fiscal year.

|                                 | <b>Votes For</b> | <b>Votes Against</b> | <b>Votes Abstained</b> |
|---------------------------------|------------------|----------------------|------------------------|
| <b>Item 5 Other Information</b> | 57,064,148       | 211,641              | 144,783                |

None

**Item 6 Exhibits**

a. Exhibits:

31.1 Certification of Neill A. Currie, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

31.2 Certification of Fred R. Donner, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

32.1 Certification of Neill A. Currie, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Fred R. Donner, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

**RenaissanceRe Holdings Ltd.**

By: /s/ Fred R. Donner  
Fred R. Donner  
Executive Vice President, Chief Financial  
Officer

By: /s/ Mark A. Wilcox  
Mark A. Wilcox  
Senior Vice President,  
Corporate Controller and Chief Accounting  
Officer

Date: July 30, 2008