

RENAISSANCERE HOLDINGS LTD

Form 10-K

February 22, 2008

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended December 31, 2007

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. 34-0-26512

RENAISSANCERE HOLDINGS LTD.

(Exact Name Of Registrant As Specified In Its Charter)

Bermuda

(State or Other Jurisdiction of
Incorporation or Organization)

98-014-1974

(I.R.S. Employer
Identification Number)

Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda

(Address of Principal Executive Offices)

(441) 295-4513

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common Shares, Par Value \$1.00 per share	New York Stock Exchange, Inc.
Series B 7.30% Preference Shares, Par Value \$1.00 per share	New York Stock Exchange, Inc.
Series C 6.08% Preference Shares, Par Value \$1.00 per share	New York Stock Exchange, Inc.
Series D 6.60% Preference Shares, Par Value \$1.00 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Act).

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, as defined in Rule 12b-2 of the 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 Act).

Yes No

The aggregate market value of Common Shares held by nonaffiliates of the registrant at June 29, 2007 was \$4,446,505,998 based on the closing sale price of the Common Shares on the New York Stock Exchange on that date.

The number of Common Shares outstanding at February 12, 2008 was 65,686,769.

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference to the registrant's Definitive Proxy Statement to be filed in respect of our 2008 Annual General Meeting of Shareholders.

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PART I

Unless the context otherwise requires, references in this Annual Report to RenaissanceRe or the Company mean RenaissanceRe Holdings Ltd. and its subsidiaries, which principally include Renaissance Reinsurance Ltd. (Renaissance Reinsurance), Renaissance Reinsurance of Europe (Renaissance Europe), Glencoe Group Holdings Ltd. (Glencoe Group), Glencoe Specialty Holdings Inc. (Glencoe Holdings), Glencoe Insurance Ltd. (Glencoe), Glencoe U.S. Holdings Inc. (Glencoe U.S.), Stonington Insurance Company (Stonington), Lantana Insurance Ltd. (Lantana), Glencoe Specialty Services Inc. (Glencoe Specialty Services), Renaissance Underwriting Managers, Ltd. (RUM), RenaissanceRe Ventures Ltd. (Ventures), Timicuan Reinsurance Ltd. (Tim Re), RenTech U.S. Holdings Inc. (RenTech), RenRe Investment Managers Ltd. (RIM), Renaissance Trading Ltd. (RTL), Weather Predict Inc. (Weather Predict), WeatherPredict Consulting Inc. (WP Consulting), RenaissanceRe Capital Trust (Capital Trust), Renaissance Investment Management Company Ltd. (RIMCO), Renaissance Investment Holdings Ltd. (RIHL) and RenaissanceRe Services Ltd. (Renaissance Services). We also underwrite reinsurance 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). The financial results of DaVinci and DaVinci's parent company, DaVinciRe Holdings Ltd. (DaVinciRe), are consolidated in our financial statements. Unless the context otherwise requires, references to RenaissanceRe do not include any of the joint ventures, which we account for under the equity method and for which we provide underwriting services. For your convenience, we have included a glossary beginning on page 62 of selected insurance and reinsurance terms. All dollar amounts referred to in this Form 10-K are in U.S. dollars unless otherwise indicated. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10-K 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 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-K 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, prices, 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;

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

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 relating to the potential passage of legislation in Florida continuing to expand the reinsurance coverages offered by the Florida Hurricane Catastrophe Fund (FHCF) and the insurance policies written by the state-sponsored Citizens Property Insurance Corporation (Citizens), or failing to reduce such coverages, as well as the risk that additional state-based or new federal legislation will be enacted and adversely impact us;

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;

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;

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a contention by the U.S. Internal Revenue Service that our Bermuda subsidiaries, including Renaissance Reinsurance, DaVinciRe, Glencoe, Top Layer Re, RIMCO 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;

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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;

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 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;

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 the changes we anticipate 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 collectibility of our reinsurance with respect to both 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 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 Securities and Exchange Commission (SEC).

The factors listed above should not be construed as exhaustive. Certain of these factors are described in more detail in Risk Factors below. 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 1. BUSINESS

GENERAL

RenaissanceRe, established in Bermuda in 1993 to write principally property catastrophe reinsurance, is today a leading global provider of reinsurance and insurance. 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 seek to accomplish this in part by taking advantage of market dislocations, and by 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 measure our financial success principally 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.

Our core products include property catastrophe reinsurance, which we write through our principal operating subsidiary Renaissance Reinsurance and joint ventures, principally DaVinci, Top Layer Re and Starbound II; specialty reinsurance risks through Renaissance Reinsurance and DaVinci; and primary insurance and quota share reinsurance, which we write through the operating subsidiaries of the Glencoe Group. We believe that we are one of the world's leading providers of property catastrophe reinsurance. We also believe we have a strong position in certain specialty reinsurance lines of business and are building a unique franchise in the U.S. program business. Our reinsurance and insurance products are principally distributed through intermediaries, with whom we seek to cultivate strong relationships.

We conduct our business through two reportable segments, Reinsurance and Individual Risk. For the year ended December 31, 2007, our Reinsurance and Individual Risk segments accounted for approximately 69.2% and 30.8%, respectively, of our total consolidated gross premiums written. Our segments are more fully described in *Business Segments* below.

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®). As described in more detail below, 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 are continuously enhancing the program in order to analyze other classes of risk.

In addition to using REMS®, 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.

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

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new joint ventures, or the acquisition of 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.

In evaluating potential new ventures, we 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.

CORPORATE STRATEGY

We seek to generate long-term growth in tangible book value per common share plus accumulated dividends for our shareholders by pursuing the following strategic objectives:

Superior Risk Selection. We seek to underwrite our reinsurance, insurance and financial risks through the use of sophisticated risk selection techniques, including computer models, such as REMS[®] and PACeR. We pursue a disciplined approach to underwriting and only select those risks that we believe will produce an attractive return on equity, subject to prudent risk constraints.

Superior Marketing. We believe our modeling and technical expertise, and the risk management advice that we provide to our clients, has enabled us to become a provider of first choice in many lines of business to our customers worldwide. We market our reinsurance products worldwide exclusively through reinsurance brokers. We seek to offer stable, predictable and consistent risk-based pricing and a prompt turnaround on our claims.

Superior Capital Management. We seek to write as much attractively priced business as is available to us and then manage our capital accordingly. We generally seek to raise capital when we expect an increase in attractively priced business, and seek to return capital to our shareholders or joint venture investors when the amount of attractively priced business declines, and we believe a return of capital would be beneficial to our shareholders or joint venture investors.

Superior Joint Ventures. Building upon our relationships and expertise in risk selection, marketing and capital management, we seek to pursue and execute on joint venture and investment opportunities, which include new partners and diversifying classes of business. We believe our focus on our joint ventures allows us to leverage our access to business and our underwriting capabilities on an efficient capital base, develop fee income, and diversify our portfolio. We routinely evaluate and expect that we may in the future pursue additional joint venture opportunities and strategic investments.

We believe we are well positioned to fulfill these objectives by virtue of the experience and skill of our management team, our significant financial strength, and our strong relationships with brokers and clients. In addition, we believe our superior service, our proprietary modeling technology, and our extensive business relationships, which have enabled us to become a leader in the property catastrophe reinsurance market, will be instrumental in allowing us to achieve our strategic objectives. In particular, we believe our responsive, flexible strategy and high performance, ethical culture and commitment to our clients and joint venture partners permit us to differentiate ourselves by offering specialized services and products at times and in markets where capacity and alternatives may be limited.

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We conduct our business through two reportable segments, Reinsurance and Individual Risk. Financial data relating to our two segments is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and in our Financial Statements and Supplementary Data presented under Item 8.

Reinsurance Segment

Our Reinsurance operations are comprised of three units: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, primarily written through Renaissance Reinsurance and DaVinci; and 3) certain other activities of Ventures as described herein. Our Reinsurance operations are managed by the President of Renaissance Reinsurance, who leads a team of underwriters, risk modelers and other industry professionals, who have access to our proprietary risk management, underwriting and modeling resources and tools. We believe the expertise of our underwriting and modeling team and our proprietary analytic tools, together with superior customer service, provide us with a significant competitive advantage.

Our portfolio of business has continued to be increasingly characterized by relatively large transactions with ceding companies with whom we do business, although no current relationship exceeds 15% of our gross premiums written. Accordingly, our gross premiums written are subject to significant fluctuations depending on our success in maintaining or expanding our relationships with these large customers. We believe that recent market dynamics, and trends in our industry in respect of potential future consolidation, have increased our exposure to the risks of client and counterparty concentration.

The following table shows our total managed catastrophe and specialty reinsurance gross premiums written:

Year ended December 31, (in thousands)	2007	2006	2005
Renaissance catastrophe premiums	\$ 662,987	\$ 773,638	\$ 573,393
Renaissance specialty premiums	277,882	198,111	402,207
Total Renaissance premiums	940,869	971,749	975,600
DaVinci catastrophe premiums	340,117	325,476	202,180
DaVinci specialty premiums	9,434	23,938	25,195
Total DaVinci premiums	349,551	349,414	227,375
Total Reinsurance premiums	\$ 1,290,420	\$ 1,321,163	\$ 1,202,975
Total specialty premiums (1)	\$ 287,316	\$ 222,049	\$ 427,402
Total catastrophe premiums	\$ 1,003,104	\$ 1,099,114	\$ 775,573
Catastrophe premiums written on behalf of our joint venture, Top Layer Re (2)	66,436	51,244	59,908
Catastrophe premiums assumed from our Individual Risk segment	(36,968)	(64,573)	(43,594)
Total managed catastrophe premiums (3)	1,032,572	1,085,785	791,887
Managed catastrophe premiums assumed on behalf of fully-collateralized joint ventures	(59,418)	(113,977)	
Total managed catastrophe premiums, net of fully-collateralized joint ventures (3)	\$ 973,154	\$ 971,808	\$ 791,887

- (1) Total specialty premiums written includes \$0.4 million, \$2.3 million and \$1.7 million of premiums assumed from our Individual Risk segment for the years ended December 31, 2007, 2006 and 2005, respectively.
- (2) Top Layer Re is accounted for under the equity method of accounting.

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- (3) In addition to the GAAP financial measures set forth in this Form 10-K, we have included certain non-GAAP financial measures in this Form 10-K within the meaning of Regulation G. We have consistently provided these financial measurements in previous filings and we believe that these measurements are important to investors and other interested parties, and that investors and other such persons benefit from having a consistent basis for comparison with other companies within the industry. These measures may not, however, be comparable to similarly titled measures used by companies outside the insurance industry. Investors are cautioned not to place undue reliance on these non-GAAP measures in assessing our overall financial performance.

We have included in this Form 10-K managed catastrophe premiums and managed catastrophe premiums, net of fully-collateralized joint ventures. Managed catastrophe premiums is defined as gross catastrophe premiums written by Renaissance Reinsurance and its related joint ventures, excluding catastrophe premiums assumed from the Company's Individual Risk segment. Managed catastrophe premiums differ from total catastrophe premiums, which the Company believes is the most directly comparable GAAP measure, due to the inclusion of catastrophe premiums written on behalf of the Company's joint venture Top Layer Re, which is accounted for under the equity method of accounting and the exclusion of catastrophe premiums assumed from the Company's Individual Risk segment. Managed catastrophe premiums, net of fully-collateralized joint ventures differ from total catastrophe premiums, which the Company believes is the most directly comparable GAAP measure, due to: 1) the inclusion of catastrophe premiums written on behalf of the Company's joint venture Top Layer Re, which is accounted for under the equity method of accounting; 2) the exclusion of catastrophe premiums assumed from the Company's Individual Risk segment; and 3) the deduction of catastrophe premiums that are written by the Company and ceded directly to the Company's fully-collateralized joint ventures which include, as applicable, Starbound Re, Starbound II and Tim Re. The Company's management believes managed catastrophe premiums is useful to investors and other interested parties because it provides a measure of total catastrophe reinsurance premiums assumed by the Company through its consolidated subsidiaries and related joint ventures. The Company believes managed catastrophe premiums, net of fully-collateralized joint ventures is also a useful measure to investors and other interested parties because it provides a measure of total catastrophe reinsurance premiums assumed by the Company through its consolidated subsidiaries and related joint ventures, net of catastrophe premiums assumed from the Company's Individual Risk segment and net of catastrophe premiums written directly on behalf of the Company's fully-collateralized joint ventures.

Property Catastrophe Reinsurance

We believe we are one of the largest providers of property catastrophe reinsurance in the world, based on our total managed catastrophe premium. Our principal property catastrophe reinsurance products include catastrophe excess of loss reinsurance and excess of loss retrocessional reinsurance as described below:

Catastrophe Excess of Loss Reinsurance. We principally write catastrophe reinsurance on an excess of loss basis, which means we provide coverage to our insureds when aggregate claims and claim expenses from a single occurrence of a covered peril exceed the attachment point specified in a particular contract. Under these contracts we indemnify an insurer for a portion of the losses on insurance policies in excess of a specified loss amount, and up to an amount per loss specified in the contract. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to selected geographic areas. Coverage can also vary from all property perils to limited coverage on selected perils, such as earthquake only coverage.

Excess of Loss Retrocessional Reinsurance. We also write retrocessional reinsurance contracts that provide property catastrophe coverage to other reinsurers or retrocedants. In providing retrocessional reinsurance, we focus on property catastrophe retrocessional reinsurance which covers the retrocedant on an excess of loss basis when aggregate claims and claim expenses from a single occurrence of a covered peril and from a multiple number of reinsureds exceed a specified attachment point. The coverage provided under excess of loss retrocessional contracts may be on a worldwide basis or limited in scope to selected geographic areas. Coverage can also vary from all property perils to limited coverage on selected perils, such as earthquake only coverage. The information available to retrocessional underwriters concerning

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the original primary risk can be less precise than the information received from primary companies directly. Moreover, exposures from retrocessional business can change within a contract term as the underwriters of a retrocedant alter their book of business after retrocessional coverage has been bound.

Our property catastrophe reinsurance contracts are generally all risk in nature. Our most significant exposure is to losses from earthquakes and hurricanes and other windstorms, although we are also exposed to claims arising from other catastrophes, such as tsunamis, freezes, floods, fires, tornadoes, explosions and acts of terrorism in connection with the coverages we provide. Our predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under our property reinsurance contracts when arising from a covered peril. We offer our coverages on a worldwide basis.

Because of the wide range of possible catastrophic events to which we are exposed, including the size of such events and because of the potential for multiple events to occur in the same time period, our catastrophe reinsurance business is volatile and our results of operations reflect this volatility. Further, our financial condition may be impacted by this volatility over time or at any point in time. The effects of claims from one or a number of severe catastrophic events could have a material adverse effect on us. We expect that increases in the values and concentrations of insured property and the effects of inflation will increase the severity of such occurrences in the future.

Catastrophe-Linked Securities. We also invest in catastrophe-linked securities (cat-linked securities). Cat-linked securities are generally privately placed fixed income securities as to which all or a portion of the repayment of the principal is linked to catastrophic events; for example, the occurrence of one or more hurricanes or earthquakes producing industry losses exceeding certain specified thresholds. We underwrite, model, evaluate and monitor these securities using the same tools and techniques used to evaluate our more traditional property catastrophe reinsurance business assumed. In addition, we may enter into derivative transactions, such as total return swaps, that are based on or referenced to underlying cat-linked securities. Based on an evaluation of the specific features of each cat-linked security, we account for these securities as reinsurance, investments or derivatives, as applicable, in accordance with U.S. generally accepted accounting principles (GAAP). In addition, in future periods we may utilize the growing market for cat-linked securities to expand our ceded reinsurance buying if we find the pricing and terms of such coverage attractive.

We seek to moderate the volatility of our risk portfolio through superior risk selection, diversification and the purchase of retrocessional coverages and other protections. In furtherance of our strategy, we may opportunistically increase or decrease our presence in the catastrophe reinsurance business based on market conditions and our assessment of risk-adjusted pricing adequacy. We frequently seek to purchase reinsurance or other protection for our own account to further reduce the financial impact that a large catastrophe or a series of catastrophes could have on our results.

As a result of our position in the market and reputation for superior customer service, we believe we have superior access to business we view as desirable compared to the market as a whole. As described above, we use our proprietary underwriting tools and guidelines to attempt to construct an attractive portfolio from these opportunities. We dynamically model policy submissions against our current in-force underwriting portfolio, comparing our estimate of the modeled expected returns of the contract against the amount of capital that we allocate to the contract, based on our estimate of its marginal impact on our overall risk portfolio. At times, our approach to portfolio management has resulted and may result in the future in our having a relatively large market share of catastrophe reinsurance exposure in a particular geographic region or to a particular peril, where we believe pricing is attractive. Conversely, from time to time we may have a disproportionately low market share in regions or perils where we believe pricing is inadequate.

Specialty Reinsurance

We write a number of lines of reinsurance other than property catastrophe, such as catastrophe exposed workers compensation, surety, terrorism, medical malpractice, casualty clash, certain other casualty lines and other specialty lines of reinsurance, which we collectively refer to as specialty reinsurance. As with our catastrophe business, our team of experienced professionals seeks to underwrite these lines using a disciplined underwriting approach and sophisticated analytical tools.

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We believe that our underwriting and analytical capabilities have positioned us well to manage this business. We generally target lines of business where we believe we can adequately quantify the risks assumed and where potential losses could be characterized as low frequency and high severity, similar to our catastrophe reinsurance coverages. We also seek to identify market dislocations and will opportunistically write new lines of business whose risk and return characteristics are estimated to exceed our hurdle rates. We also seek to manage the correlations of this business with our overall portfolio, including our aggregate exposure to single and aggregated catastrophe events.

We offer our specialty reinsurance products principally on an excess of loss basis, as described above with respect to our catastrophe reinsurance products, and also provide some proportional coverage. In a proportional reinsurance arrangement (also referred to as quota share reinsurance and pro-rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured. The reinsurer pays the cedant a commission which is generally based on the cedant's cost of acquiring the business being reinsured (including commissions, premium taxes, assessments and miscellaneous administrative expenses) and may also include a profit factor. Our products generally include tailored features such as limits or sub-limits which we believe help us manage our exposures. Any liability exceeding, or otherwise not subject to, such limits reverts to the cedant. As with our catastrophe reinsurance business, our specialty reinsurance frequently provides coverage for relatively large limits or exposures, and thus we are subject to potential significant claims volatility.

We generally seek to write significant lines on our specialty reinsurance treaties. As a result of our financial strength, we have the ability to offer significant capacity and, for select risks, we have made available limits of up to approximately \$100.0 million per excess of loss program. We believe these capabilities, the strength of our specialty reinsurance underwriting team, and our demonstrated ability and willingness to pay valid claims are competitive advantages of our specialty reinsurance business.

Ventures

We pursue a number of other opportunities through our Ventures unit, which has responsibility for managing our joint venture relationships, executing customized reinsurance transactions to assume or cede risk and managing certain investments directed at classes of risk other than catastrophe reinsurance.

Property Catastrophe Managed Joint Ventures. We actively manage property catastrophe-oriented joint ventures, which provide us with an additional presence in the market, enhance client relationships and generate fee income. Such ventures allow us to leverage our access to business and our underwriting capabilities on a larger capital base. During 2007, following the formation of Starbound Re in 2006, we participated in a new joint venture, Starbound II. This new joint venture provided capacity to the U.S. property catastrophe market, primarily for the 2007 U.S. hurricane season. Currently, our joint ventures include Top Layer Re, DaVinci and Starbound II. We are the exclusive underwriting manager for each of these joint ventures.

DaVinci continuously analyzes attractive opportunities to write reinsurance globally. In general, we seek to construct for DaVinci a property catastrophe reinsurance portfolio with risk characteristics similar to those of Renaissance Reinsurance's property catastrophe reinsurance portfolio. We also write certain lines of specialty reinsurance for DaVinci. Currently, these lines include terrorism and catastrophe exposed workers' compensation. We maintain majority voting control of DaVinciRe and, accordingly, consolidate the results of DaVinciRe into our consolidated results of operations and financial position. We seek to manage DaVinci's capital efficiently over time in light of the market opportunities and needs we perceive and believe we are able to serve. Our ownership in DaVinciRe was 20.5% at December 31, 2007 and 2006, respectively. We expect our ownership in DaVinciRe to fluctuate to a degree over time.

Top Layer Re writes high excess non-U.S. property catastrophe reinsurance. Top Layer Re is owned 50% by State Farm Mutual Automobile Insurance Company (State Farm) and 50% by Renaissance Reinsurance. State Farm provides \$3.9 billion of stop loss reinsurance coverage to Top Layer Re. We account for our equity ownership in Top Layer Re under the equity method of accounting and our proportionate share of its results are reflected in equity in (losses) earnings of other ventures in our consolidated statements of operations.

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Starbound II was formed in May 2007 to provide excess of loss property catastrophe reinsurance capacity, primarily for the 2007 U.S. hurricane season. On May 31, 2007, the Company initially invested \$10.0 million in Starbound II, which represented a 9.8% equity ownership interest in Starbound II. Effective December 31, 2007, the Company invested an additional \$9.2 million in Starbound II, increasing its equity ownership interest to 17.1%. Starbound II is a Class 3 Bermuda domiciled reinsurer. Starbound II was capitalized on May 31, 2007 with \$102.5 million of equity capital and \$239.0 million of debt. The Company wrote additional property catastrophe excess of loss reinsurance contracts incepting on June 1, 2007 and then ceded up to 80% of these contracts to Starbound II in accordance with two fully-collateralized quota share agreements in return for an underwriting profit commission and an expense override. RUM manages the administration of Starbound II for an annual fee. We account for our equity ownership in Starbound II under the equity method of accounting and our proportionate share of its results are reflected in equity in (losses) earnings of other ventures in our consolidated statements of operations.

Starbound Reinsurance Ltd. (Starbound Re) was formed in May 2006 to provide excess of loss property catastrophe reinsurance capacity, primarily for the 2006 U.S. hurricane season. During 2006, Renaissance Reinsurance and DaVinci ceded a defined portfolio of property catastrophe excess of loss reinsurance contracts incepting between June 1, 2006 and July 1, 2006 to Starbound Re in accordance with a fully-collateralized quota share agreement in return for an underwriting profit commission and an expense override. We accounted for our investment in Starbound Holdings Ltd. (Starbound), which is a holding company and is the parent company to Starbound Re, under the equity method of accounting from inception through August 31, 2007. Effective August 31, 2007, Starbound repurchased the outstanding shares of all other investors at book value per obligations under the shareholders agreement. As a result, the Company now owns 100% of Starbound and therefore consolidates the operating results of Starbound.

In May 2006, the Company sold third party capital in Tim Re to provide additional capacity to accept property catastrophe excess of loss reinsurance business for the 2006 hurricane season, in return for a profit commission. In January 2007, the Company purchased all of the issued and outstanding equity securities of Tim Re. The Company accounts for Tim Re as a consolidated subsidiary.

Ventures works on a range of other customized reinsurance transactions. For example, we have participated, and continuously analyze other attractive opportunities to participate, in the market for cat-linked securities. We also offer products through which we cede participations in the performance of our catastrophe reinsurance portfolio. We believe our products contain a number of customized features designed to fit the needs of our partners, as well as our risk management objectives.

Strategic Investments. Ventures also pursues other types of strategic investments where, rather than assuming exclusive management responsibilities ourselves, we instead partner with other market participants. These investments are directed at classes of risk other than catastrophe, and at times may also be directed at non-insurance risks. We find these investments attractive both for their expected returns, and also because they provide us diversification benefits and information and exposure to other aspects of the market.

Examples of these investments include:

ChannelRe Holdings Ltd. (ChannelRe) a Bermuda-based financial guaranty reinsurer. We are a founding investor in ChannelRe and contributed \$119.7 million, or 32.7%, as part of the initial capitalization of ChannelRe on February 12, 2004. ChannelRe assumed an approximate \$26.0 billion (par amount) portfolio of in-force business from MBIA Inc. and certain of its affiliates (MBIA), and participates in its reinsurance treaty and provides facultative reinsurance support. ChannelRe s current portfolio of in-force business is estimated to be \$42.8 billion (par amount), of which \$13.4 billion relates to municipal business and \$29.4 billion relates to structured finance business. As a result of ChannelRe s estimate of its third and fourth quarter unrealized mark-to-market losses arising from financial guaranty contracts accounted for as derivatives under GAAP, ChannelRe has informed the Company that these mark-to-market charges have contributed to a loss exceeding ChannelRe s GAAP shareholders equity. As such, the Company has reduced the carried value of its equity investment in ChannelRe to \$nil as of December 31, 2007.

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Platinum Underwriters Holdings Ltd. (Platinum) a Bermuda-based diversified reinsurance company. In 2002, we invested \$84.2 million in exchange for 4.0 million common shares of Platinum; in connection therewith, we obtained a warrant to purchase an additional 2.5 million common shares of Platinum at a strike price of \$27.00, and entered into a variety of commercial relationships with Platinum. We sold our common shares in Platinum in December 2005. We are currently involved with and expect to continue to be involved with Platinum on a variety of commercial relationships. We also continue to own the warrant.

Aladdin Credit Products Ltd. (Aladdin) a manager of investment grade and high yield corporate credits. Aladdin is a derivatives product company rated AAA by Fitch. During the fourth quarter of 2007, we invested \$25.5 million in the preferred equity of Aladdin, representing a 14.6% ownership interest. Through its subsidiary, Aladdin Financial Products LLC (AFP), Aladdin intends to assume single-name, investment grade corporate and sovereign credit exposure which Aladdin believes will produce attractive risk-adjusted returns.

Weather-Related Activities. We undertake weather-related consulting and trading activities through our operating companies including, Weather Predict, WP Consulting, Accurate Environmental Forecasting Inc. (AEF), RIM and RTL. Weather Predict, WP Consulting and AEF provide fee-based consulting services, sell weather-related information and forecasts, and engage in education, research and development, and loss mitigation activities, such as the RenaissanceRe Wall of Wind facility in southern Florida. RTL sells certain financial products primarily to address weather risks, and engages in certain derivatives trading activities. Principally, through RTL, we expect that our participation in the trading markets for securities and derivatives linked to weather, other natural phenomena, or products or indices linked in part to such phenomena will increase. As this unit grows, we are seeking to develop client and customer relationships, build operating and control environment systems and procedures, hire staff and develop and install management information and other systems. We are also taking numerous other steps to implement our strategies. To a degree, success in executing our strategies in respect of this unit requires us to develop new expertise in certain areas. If we fail to continue to develop the necessary infrastructure, or otherwise fail to execute our strategy, our results from these new lines of business will likely suffer, perhaps materially.

Business activities that appear in our consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in our Reinsurance segment results; the results of our investments, such as Top Layer Re, ChannelRe, Starbound II, Aladdin, Platinum, our weather-related activities and other ventures are included in the Other category of our segment results.

Competition

The markets in which we operate are highly competitive, and we believe that competition is increasing and becoming more robust. With respect to our Reinsurance operations, we believe that our principal competitors include other companies active in the Bermuda market, including Ace Limited (Ace), Allied World Assurance Company Ltd. (Allied World), Arch Capital Group (Arch), Axis Capital Holdings (Axis), Endurance Specialty Holdings Ltd. (Endurance), Everest Re Group Ltd. (Everest Re), IPC Holdings, Ltd. (IPC), Montpelier Re Holdings Ltd. (Montpelier Re), PartnerRe Ltd. (Partner Re), Platinum, Transatlantic Holdings Inc. (Transatlantic), Validus Holdings, Ltd. (Validus), White Mountains Insurance Group Ltd. (White Mountains) and XL Capital Ltd. (XL). We also compete with certain Lloyd s syndicates active in the London market, as well as with a number of other industry participants, such as American International Group, Inc. (AIG), Berkshire Hathaway (Berkshire), Munich Re Group and Swiss Re. As our business evolves over time we expect our competitors to change as well. Following hurricane Katrina in August 2005, a significant trend of new company formation focused in Bermuda commenced, which resulted in substantial new competition for 2006 and subsequent periods. Increased competition could cause, both on an industry-wide basis and for our book of business, a decrease in premium rates, less favorable policy terms, and a decrease in the percentage or absolute amount of attractive business we are able to write, the occurrence of any of which could adversely impact our growth and profitability.

Hedge funds, investment banks, exchanges and other capital market participants have also shown increasing interest in entering the reinsurance market, either through the formation of reinsurance

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companies, or through the use of other financial products. We believe that competition from non-traditional sources such as these will continue to increase. For example, over the last several years there has been substantial growth in financial products such as exchange traded catastrophe options, cat-linked securities, catastrophe-linked derivative agreements and other financial products, intended to compete with traditional reinsurance. Many of these new competitors have greater financial, marketing and management resources than we do. In addition, the tax policies of the countries where our clients operate as well as government sponsored or backed catastrophe funds can affect demand for reinsurance. We are unable to predict the extent to which the foregoing new, proposed or potential initiatives may affect the demand for our products or the risks which may be available for us when considering to offer coverage.

Individual Risk Segment

We define our Individual Risk segment to include underwriting that involves understanding the characteristics of the original underlying insurance policy. Our Individual Risk segment is managed by the Chief Executive Officer of the Glencoe Group. Our Individual Risk operations seek, on an opportunistic basis, to identify and write classes of business which are attractively priced relative to the risk exposure and, particularly in the case of catastrophe-exposed risks, where our expertise in modeling, analytical tools and information systems may provide a competitive advantage.

The following table shows our Individual Risk gross premiums written by major type of business:

Year ended December 31, (in thousands, except percentages)	2007		2006		2005	
	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written
Individual Risk gross premiums written						
Commercial multi-line	\$ 341,150	61.3%	\$ 358,987	52.1%	\$ 316,553	48.6%
Commercial property	164,438	29.5	226,205	32.8	123,236	18.9
Personal lines property	51,006	9.2	104,200	15.1	211,641	32.5
Total Individual Risk gross premiums written	\$ 556,594	100.0%	\$ 689,392	100.0%	\$ 651,430	100.0%

Our Individual Risk business is written by the Glencoe Group through its principal operating subsidiaries, which include Glencoe, Stonington, Lantana and Stonington Lloyds Insurance Company (Stonington Lloyds). Glencoe is a Bermuda-domiciled excess and surplus lines insurance company and is currently eligible to do business on an excess and surplus lines basis in 51 U.S. jurisdictions. Stonington, a Texas domiciled insurance company, is licensed on an admitted basis in all 50 states and the District of Columbia. Lantana is a Bermuda-domiciled insurance company currently eligible as an excess and surplus lines carrier in 49 U.S. jurisdictions.

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, and multi-peril crop insurance; 2) commercial property, which principally includes catastrophe-exposed commercial property products; and 3) 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 produced primarily through three distribution channels:

- 1) *Program managers* We write specialty lines 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* We write quota share reinsurance with primary insurers who, similar to our program managers, provide most of the back-office functions. Business is written pursuant to agreed-upon guidelines; and
- 3) *Broker-produced business* We write primary insurance produced through brokers on a risk-by-risk basis; underwriting and back office functions for this business are based in our offices in Bermuda while claims handling is outsourced.

The following table shows the percentage of our Individual Risk gross premiums written by distribution channel:

Year ended December 31, (in thousands, except percentages)	2007		2006		2005	
	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written
Individual Risk gross premiums written						
Program managers	\$ 414,577	74.5%	\$ 435,207	63.2%	\$ 343,419	52.7%
Quota share reinsurance	139,952	25.1	238,066	34.5	273,734	42.0
Broker-produced business	2,065	0.4	16,119	2.3	34,277	5.3
Total Individual Risk gross premiums written	\$ 556,594	100.0%	\$ 689,392	100.0%	\$ 651,430	100.0%

We seek to identify and do business with program managers and quota share reinsurance cedants whom we believe utilize superior underwriting methodologies. We rely on these third parties for services including policy issuance, premium collection, claims processing, and compliance with various state laws and regulations including licensing. We seek to work closely with these partners, attempting to employ our analytical methodologies and, where appropriate, our expertise in catastrophe risk, to arrive at adequate pricing for the risks being underwritten. We seek to structure these relationships to provide value to both parties and meaningful protections to us. Our strategy is to pursue a relatively small number of relatively large relationships.

We actively oversee our third-party relationships through an operations review team at Glencoe Specialty Services and through the use of proprietary tools such as PACeR. Our operations review team includes professionals from diverse disciplines including actuarial science, accounting, claims management, law, regulatory compliance and underwriting. This group assists with the initial due diligence as well as the ongoing monitoring of these third parties. Our ongoing monitoring includes periodic audits of our program managers and third-party administrators. In addition, for our large program managers we maintain an employee in an underwriting capacity on-site at the program manager to oversee the program manager's compliance with our prescribed underwriting guidelines. We generally seek to have contractual performance standards for each of our programs and third-party claims administrators whose compensation is subject to adjustment based on meeting these standards. The program operations team audits compliance with our underwriting guidelines and contractually agreed operating guidelines and performance standards. The program operations team also seeks to ensure corrective action is taken quickly to resolve issues identified during the audit process.

Competition

In our Individual Risk business, we face competition from independent insurance companies, subsidiaries or affiliates of major worldwide companies and others, some of which have greater financial and other resources than we do. Primary insurers compete on the basis of various factors including distribution

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channels, product, price, service, financial strength and reputation. Many of our Reinsurance segment competitors listed above also compete for the program business and quota share reinsurance we write within our Individual Risk segment. We believe that our principal competitors in the program business of our Individual Risk segment include operating subsidiaries of AIG, Arch, WR Berkley Corp. (Berkley), Berkshire, Hannover Re and Zurich Financial Services Group (Zurich). In our Individual Risk business, we compete not only in respect of the insurance and reinsurance products we offer, but in respect of the contractual relationships with the program managers with whom we seek to partner. Increased competition in respect of our products could result in decreased premium rates, less attractive terms and conditions, and a decrease in our share of attractive programs. Increased competition in respect of our program manager partners, as to whom we are extremely selective and whose relationship we seek to tightly manage in a disciplined, consistent fashion, could result in less favorable terms and conditions in respect of our contractual arrangements with our partners, the loss of existing program manager relationships, or constrain our ability to add new relationships to our operations. In addition, there has been a growing trend of insurance and reinsurance companies acquiring program managers. Acquisitions of program managers with whom we do business by other insurance or reinsurance companies could result in us losing that program manager relationship. Any of the foregoing could adversely impact the growth and profitability of our Individual Risk segment.

RATINGS

Financial strength ratings have become an increasingly important factor in respect of the competitive position of reinsurance and insurance companies. Rating organizations continually review the financial positions of reinsurers and insurers, including Renaissance Reinsurance, Top Layer Re, DaVinci and the Glencoe Group. Over the last five years, we have received high claims-paying and financial strength ratings from A.M. Best Co. (A.M. Best), Standard & Poor's Rating Agency (S&P), Moody's and Fitch. These ratings represent independent opinions of an insurer's financial strength, operating performance and ability to meet policyholder obligations, and are not an evaluation directed toward the protection of investors or a recommendation to buy, sell or hold any of our securities.

Presented below are the ratings of our principal operating subsidiaries and joint ventures by segment and the senior debt ratings of RenaissanceRe as of February 12, 2008. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources - Credit Ratings for information about recent ratings actions.

At February 12, 2008	A.M. Best	A.M. Best Financial Size Category	S&P	Moody's	Fitch
REINSURANCE SEGMENT (1)					
Renaissance Reinsurance	A+	XIV	AA	A2	A
DaVinci	A	XII	A+		
Top Layer Re	A+	VII	AA		
Renaissance Europe	A+	XIV			
INDIVIDUAL RISK SEGMENT (1)					
Glencoe	A	X			
Stonington	A	X			
Stonington Lloyds	A	X			
Lantana	A	X			
RENAISSANCERE (2)	a		A	Baa1	BBB+

(1) The A.M. Best, S&P, Moody's and Fitch ratings for the companies in the Reinsurance and Individual Risk segments reflect the insurer's financial strength rating (see explanation of the rating levels below).

(2) The A.M. Best, S&P, Moody's and Fitch ratings for RenaissanceRe represent the credit ratings on its senior unsecured debt. A.M. Best. A+ is the second highest designation of A.M. Best's sixteen rating levels. A+ rated insurance companies are defined as Superior companies and are considered by A.M. Best to have a very strong

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ability to meet their obligations to policyholders. A and A- are the third and fourth highest designations, respectively, assigned by A.M. Best, representing A.M. Best's opinion that the insurer has an excellent ability to meet its ongoing obligations to policyholders.

A.M. Best also assigns a financial size category to each of the insurance companies rated. VII represents a company with \$50-\$100 million in capital, X represents a company with \$500-\$750 million in capital, XII represents a company with \$1.0 - \$1.25 billion in capital, XIII represents a company with \$1.25 - \$1.5 billion in capital and XIV represents a company with \$1.5 - \$2.0 billion in capital. The outlooks for Renaissance Reinsurance and Renaissance Europe are positive. The ratings outlook for DaVinci and RenaissanceRe's debt are stable and the outlook for Glencoe is positive.

S&P. The AA range (AA+, AA, AA-), which has been assigned by S&P to Renaissance Reinsurance and Top Layer Re, is the second highest rating assigned by S&P, and indicates that S&P believes the insurer's capacity to meet its financial commitment on the obligation is very strong, differing only slightly from those rated higher. The A range (A+, A and A-) is the third highest of four ratings ranges within what S&P considers the secure category. An insurer rated A is believed by S&P to have strong financial security characteristics, but to be somewhat more likely to be affected by business conditions than are insurers with higher ratings.

Moody's. Moody's Insurance Financial Strength Ratings and Moody's Credit Ratings represent its opinions of the ability of insurance companies to repay punctually policyholder claims and obligations and senior unsecured debt instruments. Moody's believes that insurance companies rated A2, such as Renaissance Reinsurance, and companies rated Baa1, such as RenaissanceRe, offer good financial security. However, Moody's believes that elements may be present which suggest a susceptibility to impairment sometime in the future.

Fitch. Fitch Ratings Ltd. Issuer Financial Strength ratings provide an assessment of the financial strength of an insurance organization. Fitch believes that insurance companies rated A, such as Renaissance Reinsurance, have Strong capacity to meet policyholders and contract obligations on a timely basis with a low expectation of ceased or interrupted payments. Fitch also provides Long-Term Credit Ratings, used as a benchmark measure of probability of default; these were formerly described as Issuer Default Ratings. RenaissanceRe has been rated BBB+, meaning there are currently expectations of low credit risk.

While the ratings of our principal operating subsidiaries and joint ventures within our Reinsurance segment remain among the highest in our business, adverse ratings actions could have a negative effect on our ability to fully realize current or future market opportunities. In addition, it is common for our reinsurance contracts to contain provisions permitting our clients to cancel coverage pro-rata if our relevant operating subsidiary is downgraded below a certain rating level. Whether a client would exercise this right would depend, among other factors, on the reason for such a downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Therefore, in the event of a downgrade, it is not possible to predict in advance the extent to which this cancellation right would be exercised, if at all, or what effect such cancellations would have on the financial condition or future operations, but such effect potentially could be material. To date we are not aware that we have experienced such a cancellation. Our ratings are subject to periodic review and may be revised or revoked by the agencies which issue them.

UNDERWRITING AND ENTERPRISE RISK MANAGEMENT

Underwriting

Our primary underwriting goal is to construct a portfolio of reinsurance and insurance contracts and other financial risks that maximizes our return on shareholders' equity, subject to prudent risk constraints, and to generate long-term growth in tangible book value per common share plus accumulated dividends. We assess each new contract on the basis of the expected incremental return relative to the incremental contribution to portfolio risk.

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Reinsurance

We have developed a proprietary, computer-based pricing and exposure management system, REMS[®]. Since inception, we have continued to invest in and improve REMS[®], incorporating our underwriting experience, additional proprietary software and a significant amount of new industry data. REMS[®] has analytic and modeling capabilities that help us to assess the risk and return of each incremental reinsurance contract in relation to our overall portfolio of reinsurance contracts. We combine the analyses generated by REMS[®] with other information available to us, including our own knowledge of the client submitting the proposed program, to assess the premium offered against the risk of loss which the program presents. We have licensed and integrated into REMS[®] a number of third-party catastrophe computer models in addition to our base model, which we use to validate and stress test our base REMS[®] results. REMS[®] is most developed in analyzing catastrophe risks. We believe that our tools for assessing non-catastrophe risks are much less sophisticated and much less well developed than those for catastrophe risks. We continue to improve our analytical techniques relating to non-catastrophe risks.

We believe that REMS[®] is a more robust underwriting and risk management system than is currently commercially available elsewhere in the reinsurance industry. Before we bind a reinsurance risk, exposure data is typically gathered from clients and this exposure data is input into the REMS[®] modeling system. We believe that the REMS[®] modeling system helps us to analyze each policy on a consistent basis, assisting our determination of what we believe to be an appropriate price to charge for each policy based upon the risk that is assumed. REMS[®] combines computer-generated statistical simulations that estimate event probabilities with exposure and coverage information on each client's reinsurance contract to produce expected claims for reinsurance programs submitted to us. Our models employ simulation techniques to generate 40,000 years of loss activity, including events causing in excess of \$300 billion in insured losses. From this simulation, we generate a probability distribution of potential outcomes for each program in our portfolio and for our total portfolio. In part through the utilization of REMS[®] we seek to compare our estimate of the expected returns in respect of a contract with the amount of capital that we notionally allocate to the contract based on our estimate of its marginal impact on our portfolio of risks. We have also customized REMS[®] by including additional perils, risks and geographic areas that are not captured in the commercially available models.

We periodically review the estimates and assumptions that are reflected in REMS[®] and our other tools. For example, in the second half of 2005 we revised our assumptions relating to Atlantic basin hurricane frequency and severity. While many commercial catastrophe models base their frequency and severity distributions on the last 100 years of hurricane activity, assuming that this time frame is an appropriate framework on which to base estimates of the hurricane risk to which the insurance industry is exposed, we currently do not believe, based on our review of the scientific literature, private research, and discussions with climatologists and meteorologists, that the past 100 years of data is reflective of current climatological risks. In particular, we believe there has been an increase in the frequency and severity of hurricanes that have the potential to make landfall in the U.S., potentially as a result of decadal ocean water temperature cyclical trends, a longer-term trend towards global warming, or both or other factors. We started using these revised assumptions in REMS[®] to model and evaluate our portfolio of risk in the latter part of 2005. The process of updating all of the underlying risk models is continuous, and many of the assumptions involve significant judgment on our part, and further experience or scientific research may lead us to further adjust these assumptions. Changes in our modeled assumptions may impact from time to time the amount of capacity we are prepared to offer.

Our catastrophe reinsurance underwriters use REMS[®] in their pricing decisions, which we believe provides them with several competitive advantages. These include the ability:

to simulate a greater number of years of catastrophic event activity compared to a much smaller sample in generally available models, allowing us to analyze exposure to a greater number and combination of potential events;

to analyze the incremental impact of an individual reinsurance contract on our overall portfolio;

to better assess the underlying exposures associated with assumed retrocessional business;

to price contracts within a short time frame;

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to capture various classes of risk, including catastrophe and other insurance risks;

to assess risk across multiple entities (including our various joint ventures) and across different components of our capital structure; and

to provide consistent pricing information.

As part of our risk management process, we also use REMS® to assist us with the purchase of reinsurance coverage for our own account.

We have developed underwriting guidelines, to be used in conjunction with REMS®, that seek to limit the exposure to claims from any single catastrophic event and the exposure to losses from a series of catastrophic events. As part of our pricing and underwriting process, we also assess a variety of other factors, including:

the reputation of the proposed cedant and the likelihood of establishing a long-term relationship with the cedant;

the geographic area in which the cedant does business and its market share;

historical loss data for the cedant and, where available, for the industry as a whole in the relevant regions, in order to compare the cedant's historical catastrophe loss experience to industry averages;

the cedant's pricing strategies; and

the perceived financial strength of the cedant.

In order to estimate the risk profile of each line of specialty reinsurance, we establish probability distributions and assess the correlations with the rest of our portfolio. In lines with catastrophe risk, such as excess workers' compensation, we are leveraging directly off our skill in modeling for our property catastrophe reinsurance risks, and seek to appropriately estimate and manage the correlations between these specialty lines and our catastrophe reinsurance portfolio. For other classes of business, which we believe we have little or no natural catastrophe exposure, and hence estimate we will have significantly less correlation with our property catastrophe reinsurance coverages, we derive probability distributions from a variety of underlying information, including recent historical experience, but with the application of judgment as appropriate. The nature of some of these businesses lends itself less to the analysis that we use for our property catastrophe reinsurance coverages, reflecting both the nature of available exposure information, and the impact of human factors such as tort exposure. We produce probability distributions to represent our estimates of the related underlying risks which our products cover, which we believe helps us to make consistent underwriting decisions and to manage our total risk portfolio. Overall, we undertake to construct conservative representations of the risks within our models, although there can be no assurance that this has occurred.

Individual Risk

For our catastrophe-exposed business in our Individual Risk segment, we utilize proprietary modeling tools that have been developed in conjunction with the modeling and other resources utilized in our Reinsurance operations, as described above. We also combine these analyses with those of our Reinsurance segment to monitor our aggregate group catastrophic exposures. In general, we believe our techniques for evaluating catastrophe risk are better developed than those for other classes of risk.

For the business produced through program managers, we seek to carefully identify and evaluate potential program managers. When evaluating a potential new program manager, we consider numerous factors including: (i) whether the program manager can provide and help us analyze historic loss and other business data; (ii) whether the program manager will agree to accept a portion

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of their compensation based on the underwriting performance of their program and provide us with the other terms and conditions we require; (iii) our assessment of the integrity and experience of the program manager's management team; (iv) the potential profitability of the program to us; and (v) the availability of our internal resources to appropriately conduct due diligence, negotiate and execute transaction terms, and provide the ongoing

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monitoring we require. In considering pricing for the products to be offered by the program manager, we evaluate the expected frequency and severity of losses, the costs of providing the necessary coverage (including the cost of administering policy benefits, sales and other administrative and overhead costs), the necessity of third party reinsurance, the estimated costs thereof and an anticipated margin for profit.

In addition to utilizing REMS[®], within our Individual Risk operations we have developed PACeR, within which we intend to maintain all of our program business. We are developing statistical and analytical techniques to help evaluate the lines of business we write within this segment and which over time we hope will create a competitive advantage. We believe that PACeR helps our clients better understand their business, thus creating value for them and us. For example, we believe that PACeR enables us to better identify and estimate the expected loss experience of particular products and PACeR is employed in the design of our products and the establishment of rates. We also seek to monitor pricing adequacy on our products by region, risk and producer. Subject to regulatory considerations, we seek to make timely premium and coverage modifications where we determine them to be appropriate.

We provide our program managers with written underwriting guidelines and monitor their compliance with our guidelines on a regular basis. Also, our contracts generally provide that a portion of the commission payable to our program managers will be on a retrospective basis, which is intended to permit us to adjust commissions based on our profitability and claims experience once an underwriting year is reasonably mature. We rely on our program managers to perform underwriting pursuant to these contractual guidelines, and believe we benefit from their superior local information and expertise in niche areas.

Enterprise Risk Management

We have sought to develop and utilize a series of tools and processes that support a robust system of enterprise risk management (ERM) within our organization. We consider ERM to be a key process, overseen by our senior management team under the supervision of our Board of Directors, and implemented by personnel from across our organization. We believe that ERM helps us to identify potential events that may affect us, to quantify, evaluate and manage the risks to which we are exposed, and to provide reasonable assurance regarding the achievement of our objectives. We believe that effective ERM can provide us with a significant competitive advantage. We also believe that effective ERM assists our efforts to minimize the likelihood of suffering financial outcomes in excess of the ranges which we have estimated in respect of specific investments, underwriting decisions, or other operating or business activities. We believe that our risk management tools support our strategy of pursuing opportunities created by dislocated markets and help us to identify opportunities that we believe to be the most attractive. Our risk management tools allow us to monitor our capital position, on a consolidated basis and for each of our major operating subsidiaries, and these tools help us determine the appropriate amount of capital to support the risks that we have assumed in the aggregate and for each of our major operating subsidiaries. We believe that our risk management efforts are essential to our corporate strategy and our goal of achieving long-term growth in tangible book value per share plus accumulated dividends for our shareholders.

Our ERM framework comprises four key activities, as set forth below:

Underwriting and Other Quantifiable Risks. We believe that our operations are subject to a number of key risks, including underwriting risk, credit risk and interest rate risk as they relate to investments, ceded reinsurance credit risk and strategic investment risk, which can be analyzed in substantial part through quantitative tools and techniques. Of these, we believe underwriting risk to be the most material to us. In order to understand, monitor, quantify and proactively assess underwriting risk, we seek to develop and deploy appropriate tools to, among other things, estimate the comparable expected returns on potential business opportunities, and estimate the impact that such incremental business could have on our overall risk profile. We use the tools and methods described above in Underwriting to seek to achieve these objectives.

Aggregate Risk Profile. In part through the utilization of REMS[®] and our other systems and procedures, we seek to analyze our in-force aggregate underwriting portfolio on a daily basis. We believe this capability, not only helps us to manage our aggregate exposures, but assists our efforts to rigorously analyze individual

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proposed transactions and evaluate them in the context of our in-force portfolio. This aggregation process captures line of business, segment and corporate risk profiles, calculates internal and external capital tests and explicitly models ceded reinsurance. Generally, additional data is added quarterly to our aggregate risk framework to reflect updated or new information or estimates relating to matters such as interest rate risk, credit risk, capital adequacy and liquidity. This information is used in day-to-day decision making for underwriting, investments and operations and is also reviewed quarterly from both a unit level and in respect of our consolidated financial position.

Operational Risk. We believe we are subject to a number of additional risks arising out of operational, regulatory, and other matters, which we also seek to actively monitor and manage. This effort is coordinated by senior personnel including our Chief Financial Officer (CFO), General Counsel and Chief Compliance Officer (CCO), Corporate Controller and Chief Accounting Officer (CAO), Chief Administrative Officer and Internal Audit, utilizing resources within the Company.

In an effort to identify and reduce operational and regulatory risk, in recent years we have significantly enhanced our control environment and have added additional finance, legal and back-office resources, to keep pace with the rate of growth experienced by the Company. For example:

we have developed and expanded the compliance and internal audit functions;

the accounting function has been strengthened by the addition of a significant number of professionals;

the accounting, legal and compliance resources have been placed in our business units to monitor, identify and resolve potential accounting and compliance needs at the operational level; and

we have documented accounting guidelines for the review of all non-standard reinsurance contracts and other structured and/or complex financial transactions.

Although financial reporting is a key area of our focus, other operational risks are addressed through our disaster recovery program, compliance with Section 404 of the Sarbanes-Oxley Act of 2002, human resource practices such as motivating and retaining top talent, and adherence to strict compliance, legal and tax protocols.

Controls and Compliance Committee. As part of monitoring our risks, we have instituted a Controls and Compliance Committee. The Controls and Compliance Committee is comprised of our CFO, CCO, CAO, Chief Administrative Officer, staff compliance function and representatives from our business units. The Controls and Compliance Committee meets periodically to review and address corporate compliance policies and is charged with monitoring, implementing and educating the Company on control and compliance topics and initiatives.

Ongoing Development and Enhancement. We frequently seek to increase the number of risks we monitor in part through quantitative risk distributions, even where we believe that such quantitative analysis is not as robust or well developed as our tools and models for measuring and evaluating other risks, such as catastrophe and market risks. We also seek to improve the methods by which we measure risks. We believe effective risk management is a continual process that requires ongoing improvement and development. We seek from time to time to identify new best practices or additional developments both from within our industry and from other sectors. We believe that our ongoing efforts to embed ERM throughout our organization is important to our efforts to produce and maintain a competitive advantage to achieve our corporate goals.

Our ERM is currently rated excellent by S&P which is S&P's highest ERM rating.

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Our exposures are generally diversified across geographic zones, but are also a function of market conditions and opportunities. The following table sets forth the percentage of our gross insurance and reinsurance premiums written allocated to the territory of coverage exposure:

Year ended December 31, (in thousands, except percentages)	2007		2006		2005	
	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written
Property catastrophe reinsurance						
United States and Caribbean	\$ 735,322	40.6%	\$ 792,311	40.8%	\$ 458,193	25.4%
Europe	111,702	6.2	73,500	3.8	105,796	5.8
Worldwide (excluding U.S.) (1)	66,392	3.7	71,116	3.7	59,076	3.3
Worldwide	27,577	1.5	68,575	3.5	54,493	3.0
Australia and New Zealand	4,360	0.2	2,732	0.1	33,266	1.8
Other	20,374	1.1	23,972	1.2	19,472	1.1
Specialty reinsurance (2)	287,316	15.9	222,049	11.4	427,402	23.6
Total reinsurance (3)	1,253,043	69.2	1,254,255	64.5	1,157,698	64.0
Individual Risk (4)	556,594	30.8	689,392	35.5	651,430	36.0
Total gross premiums written	\$ 1,809,637	100.0%	\$ 1,943,647	100.0%	\$ 1,809,128	100.0%

(1) The category Worldwide (excluding U.S.) consists of contracts that cover more than one geographic region (other than the U.S.). The exposure in this category for gross premiums written to date is predominantly from Europe and Japan.

(2) The category Specialty reinsurance consists of contracts that are predominantly exposed to U.S. and worldwide risks.

(3) Excludes \$37.4 million, \$66.9 million and \$45.3 million of premium assumed from our Individual Risk segment in 2007, 2006 and 2005, respectively.

(4) The category Individual Risk consists of contracts that are primarily exposed to U.S. risks.

RESERVES FOR CLAIMS AND CLAIM EXPENSES

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 December 31, 2007 and 2006:

At December 31, 2007 (in thousands)	Case Reserves	Additional Case Reserves	IBNR	Total
Property catastrophe reinsurance	\$ 275,436	\$ 287,201	\$ 204,487	\$ 767,124
Specialty reinsurance	109,567	93,280	448,756	651,603
Total Reinsurance	385,003	380,481	653,243	1,418,727
Individual Risk	237,747	10,359	361,663	609,769
Total	\$ 622,750	\$ 390,840	\$ 1,014,906	\$ 2,028,496

At December 31, 2006

(in thousands)

Property catastrophe reinsurance	\$ 366,337	\$ 282,544	\$ 226,579	\$ 875,460
Specialty reinsurance	104,010	77,315	412,466	593,791
Total Reinsurance	470,347	359,859	639,045	1,469,251
Individual Risk	272,119	15,611	341,174	628,904
Total	\$ 742,466	\$ 375,470	\$ 980,219	\$ 2,098,155

The decrease in the total amount of claims and claim expense reserves from December 31, 2006 to December 31, 2007, as shown in the table above, was principally a result of the payment of claims in respect of current and prior year losses of \$134.6 million and \$498.9 million, respectively, in particular the prior year losses resulting from the large hurricanes of 2005, offset by claims and claim expenses incurred of \$563.8 million including European windstorm Kyrill (Kyrill), the United Kingdom (U.K.) flood losses and sub-prime related casualty losses as discussed below.

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 twelve months ended December 31, 2007, 2006 and 2005, changes to prior year estimated claims reserves increased our net income by \$233.2 million, increased our net income by \$136.6 million and reduced our net loss by \$241.5 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.

Our claims and claim expense reserves are reviewed annually by an external actuarial firm. The actuarial firm performs this work for the purpose of issuing an actuarial opinion on the reasonableness of the claims and claim expense reserves for each of the Company's insurance subsidiaries. The actuarial opinions are required to meet various insurance regulatory requirements. The actuarial firm discusses its conclusions with management and presents its findings to the Audit Committee of our Board of Directors

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of the Company. Although we do not explicitly rely on the work performed by the actuarial firm for estimating our reserves for claims and claim expenses, we compare our recorded claims and claim expense reserves to those estimated by the actuarial firm to determine whether our estimates are within the actuarial firm's

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reasonable range of estimates. To date, our estimates of claims and claim expense reserves have been within the actuarial firm's reasonable range of estimates.

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.

Included in our results for 2007 are \$157.5 million of net claims and claim expenses from Kyrill and the U.K. flood losses which occurred in 2007, as well as \$60.0 million in estimated losses associated with exposure to sub-prime related casualty losses. 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. In addition, the sub-prime related casualty net claims and claim expenses are based on underlying liability contracts which are considered long-tail business, and will therefore take many years before the actual losses are known and reported, which increases the uncertainty with respect to the estimate for ultimate losses for this event. The net claims and claim expenses from Kyrill, the U.K. floods and sub-prime related casualty losses are all attributable to the Company's Reinsurance segment.

During 2005, we incurred significant losses from hurricanes Katrina, Rita and Wilma. Our estimates of these losses are based on factors including currently available information derived from claims information from our clients and brokers, industry assessments of losses from the events, proprietary models and the terms and conditions of our contracts. In particular, due to the size and unusual complexity of certain legal and claims issues, particularly but not exclusively relating to hurricane Katrina, meaningful uncertainty remains regarding total covered losses for the insurance industry and, accordingly, our loss estimates. Our actual losses from these events will likely vary, perhaps materially, from our current estimates due to the inherent uncertainties in reserving for such losses, the potential inaccuracies and inadequacies in the data provided by clients and brokers, the inherent uncertainty of modeling techniques and the application of such techniques, and complex coverage and other legal issues.

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.

Our reserving techniques, assumptions and processes differ between our Reinsurance and Individual Risk segments, as well as between our property catastrophe reinsurance and specialty reinsurance businesses within our Reinsurance segment. Refer to our Claims and Claim Expense Reserves Critical Accounting Estimates discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for more information on the risks we insure and reinsure, the reserving techniques, assumptions and processes we follow to estimate our claims and claim expense reserves, and our current estimates versus our initial estimates of our claims reserves, for each of these units.

The following table represents the development of our GAAP balance sheet reserves for December 31, 1997 through December 31, 2007. This table does not present accident or policy year development data. The top line of the table shows the gross reserves for claims and claim expenses at the balance sheet date for each of the indicated years. This represents the estimated amounts of claims and claim expenses arising in the current year and all prior years that are unpaid at the balance sheet date, including additional case reserves and IBNR reserves. The table also shows the re-estimated amount of the previously recorded

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reserves based on experience as of the end of each succeeding year. The estimate changes as more information becomes known about the frequency and severity of claims for individual years. The cumulative redundancy (deficiency) on net reserves represents the aggregate change to date from the indicated estimate of the gross reserve for claims and claim expenses, net of losses recoverable on the second line of the table. The table also shows the cumulative net paid amounts as of successive years with respect to the net reserve liability. At the bottom of the table is a reconciliation of the gross reserve for claims and claim expenses to the net reserve for claims and claim expenses, the gross re-estimated liability to the net re-estimated liability for claims and claim expenses, and the cumulative redundancy (deficiency) on gross reserves.

With respect to the information in the table below, it should be noted that each amount includes the effects of all changes in amounts for prior periods, including the effect of foreign exchange rates.

Year ended December 31,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
(in millions)											
Gross reserve for claims and claim expenses	\$ 110.0	\$ 298.8	\$ 478.6	\$ 403.6	\$ 572.9	\$ 804.8	\$ 977.9	\$ 1,459.4	\$ 2,614.6	\$ 2,098.2	\$ 2,028.5
Reserve for claims and claim expenses, net of losses recoverable	\$ 110.0	\$ 197.5	\$ 174.9	\$ 237.0	\$ 355.3	\$ 605.3	\$ 828.7	\$ 1,241.6	\$ 1,941.4	\$ 1,796.3	\$ 1,845.2
1 Year Later	95.1	149.5	196.8	221.0	378.3	511.6	688.4	1,000.2	1,804.8	1,563.2	
2 Years Later	61.8	149.9	168.4	168.4	344.7	470.5	403.5	963.6	1,633.5		
3 Years Later	58.2	141.3	121.7	138.6	308.0	294.4	384.6	869.8			
4 Years Later	56.8	118.6	111.1	107.7	214.1	282.1	357.5				
5 Years Later	51.1	117.8	81.9	54.4	209.2	269.7					
6 Years Later	48.2	111.4	38.7	52.3	199.3						
7 Years Later	45.6	99.0	36.8	45.8							
8 Years Later	37.0	97.1	30.8								
9 Years Later	35.8	98.1									
10 Years Later	36.2										
Cumulative redundancy (deficiency) on net reserves	\$ 73.8	\$ 99.4	\$ 144.1	\$ 191.2	\$ 156.0	\$ 335.6	\$ 471.2	\$ 371.8	\$ 307.9	\$ 233.1	\$
Cumulative Net Paid Losses											
1 Year Later	\$ 16.9	\$ 54.8	\$ 24.6	\$ 11.1	\$ 88.1	\$ 81.9	\$ 64.1	\$ 338.9	\$ 452.0	\$ 304.5	\$
2 Years Later	24.7	80.1	16.0	0.3	152.0	90.2	119.1	437.2	684.0		
3 Years Later	28.4	69.6	1.2	3.2	111.6	122.6	134.0	488.3			
4 Years Later	29.8	69.1	2.7	(7.9)	128.0	101.6	129.7				
5 Years Later	31.0	69.5	(9.0)	(0.6)	107.0	96.6					
6 Years Later	31.9	72.5	3.3	2.6	111.7						
7 Years Later	32.3	78.4	4.7	9.0							
8 Years Later	31.8	78.5	6.3								
9 Years Later	31.9	78.5									
10 Years Later	33.0										
Gross reserve for claims and claim expenses	\$ 110.0	\$ 298.8	\$ 478.6	\$ 403.6	\$ 572.9	\$ 804.8	\$ 977.9	\$ 1,459.4	\$ 2,614.6	\$ 2,098.2	\$ 2,028.5
Reinsurance recoverable on unpaid losses		101.3	303.7	166.6	217.6	199.5	149.2	217.8	673.2	301.9	183.3
Net reserve for claims and claim expenses	\$ 110.0	\$ 197.5	\$ 174.9	\$ 237.0	\$ 355.3	\$ 605.3	\$ 828.7	\$ 1,241.6	\$ 1,941.4	\$ 1,796.3	\$ 1,845.2
Gross liability re-estimated	\$ 36.2	\$ 288.1	\$ 381.8	\$ 234.1	\$ 384.0	\$ 443.0	\$ 504.0	\$ 1,102.7	\$ 2,293.4	\$ 1,864.9	\$
Reinsurance recoverable on unpaid losses re-estimated		190.0	351.0	188.3	184.8	173.3	146.5	232.9	659.9	301.7	
	\$ 36.2	\$ 98.1	\$ 30.8	\$ 45.8	\$ 199.2	\$ 269.7	\$ 357.5	\$ 869.8	\$ 1,633.5	\$ 1,563.2	\$
Cumulative redundancy (deficiency) on gross reserves	\$ 73.8	\$ 10.7	\$ 96.8	\$ 169.5	\$ 188.9	\$ 361.8	\$ 473.9	\$ 356.7	\$ 321.1	\$ 233.3	\$

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The following table presents an analysis of our paid, unpaid and incurred losses and loss expenses and a reconciliation of beginning and ending reserves for claims and claim expenses for the years indicated:

Year ended December 31, (in thousands)	2007	2006	2005
Net reserves as of January 1	\$ 1,796,301	\$ 1,941,361	\$ 1,241,610
Net incurred related to:			
Current year	712,424	582,788	1,877,118
Prior years	(233,150)	(136,558)	(241,462)
Total net incurred	479,274	446,230	1,635,656
Net paid related to:			
Current year	125,816	139,268	596,997
Prior years	304,538	452,022	338,908
Total net paid	430,354	591,290	935,905
Total net reserves as of December 31	1,845,221	1,796,301	1,941,361
Losses recoverable as of December 31	183,275	301,854	673,190
Total gross reserves as of December 31	\$ 2,028,496	\$ 2,098,155	\$ 2,614,551

At December 31, 2007, the prior year favorable development of \$233.2 million included \$194.4 million attributable to our Reinsurance segment and \$38.8 million attributable to our Individual Risk segment. Within our Reinsurance segment, the catastrophe reinsurance unit experienced \$93.1 million of favorable development on prior years' estimated ultimate claim reserves, principally as a result of a reduction of the ultimate losses for the 2006 and 2005 accident years as reported claims have been, to date, less than expected. Included in the 2005 accident year is a \$19.2 million reduction in net claims and claim expenses associated with hurricanes Katrina, Rita and Wilma. Our specialty reinsurance unit experienced \$101.3 million of favorable development in 2007. The favorable development within our specialty reinsurance unit and Individual Risk segment was principally driven by the application of our formulaic actuarial reserving methodology for these books of business with the reductions being due to actual paid and reported loss activity being more favorable to date than what was originally anticipated when setting the initial IBNR reserves.

At December 31, 2006, the prior year favorable development of \$136.6 million included \$125.2 million attributable to our Reinsurance segment and \$11.3 million attributable to our Individual Risk segment. The reduction in prior years' estimated ultimate claims reserves in our Reinsurance segment was primarily due to lower than expected claims emergence within our specialty reinsurance unit. Our specialty reinsurance unit experienced \$139.2 million of favorable development in 2006 while our catastrophe reinsurance unit experienced \$13.9 million of adverse development. The reductions in our reserves for our specialty reinsurance unit and Individual Risk segment were principally driven by the application of our formulaic reserving methodology used for these books of business with the reductions being due to actual paid and reported loss activity being better than what was anticipated when setting the initial IBNR reserves. In addition, within our specialty reinsurance unit, \$46.0 million of the favorable development was driven by a reduction in carried reserves due to commutations. The adverse development in our catastrophe reinsurance unit was principally driven by an increase in our ultimate losses for a U.K. industrial property loss. This loss occurred at the end of 2005 and both the estimate of insured industry losses for this event and our estimate of our client's losses from this event increased in 2006.

At December 31, 2005, the prior year favorable development of \$241.5 million included \$231.3 million attributable to our Reinsurance segment and \$10.1 million attributable to our Individual Risk segment. The reduction in prior years' estimated ultimate claims reserves was primarily due to the Reinsurance and Individual Risk reserve reviews we undertook during 2005, which produced a reduction of \$248.1 million in the Reinsurance segment and \$1.1 million in the Individual Risk segment. Within the Reinsurance segment, our property catastrophe portfolio experienced a \$118.2 million reduction in prior year reserves as a result of

the reserve review. This reduction reflected a reassessment of our reserves for claims and claim

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expenses in light of historical paid loss trends and reported loss activity for the 1994 to 2004 accident years. For the specialty reinsurance business, the \$129.9 million reduction in prior year reserves was principally due to a reassessment of our estimated loss reporting patterns. Since establishing the specialty reinsurance business unit in 2002, reported claim activity has been less than expected and therefore, the Company adjusted its estimated loss reporting patterns in 2005 to reflect this experience. The changes within the Individual Risk segment as a result of the reserve review were insignificant.

Net claims and claim expenses incurred were reduced by \$3.3 million during 2007 (2006 \$5.5 million, 2005 \$4.7 million) related to income earned on assumed reinsurance contracts that were classified as deposit contracts with underwriting risk only. Other income was reduced by \$1.4 million during 2007 (2006 reduced by \$1.0 million, 2005 increased by \$1.3 million) related to premiums and losses incurred on assumed reinsurance contracts that were classified as deposit contracts with timing risk only. Aggregate deposit liabilities of \$84.1 million are included in reinsurance balances payable at December 31, 2007 (2006 \$104.4 million) and aggregate deposit assets of \$nil are included in other assets at December 31, 2007 (2006 \$nil) associated with these contracts.

INVESTMENTS

The table below summarizes our portfolio of invested assets:

At December 31, (in thousands, except percentages)	2007		2006	
U.S. treasuries and agencies	\$ 1,057,979	15.9%	\$ 1,180,064	18.6%
Non-U.S. government	66,496	1.0	154,848	2.4
Corporate	937,289	14.1	995,410	15.7
Mortgage-backed	1,251,582	18.9	397,741	6.3
Asset-backed	601,017	9.1	383,867	6.1
Fixed maturity investments available for sale, at fair value	3,914,363	59.0	3,111,930	49.1
Short term investments, at cost	1,821,549	27.4	2,410,971	38.0
Other investments, at fair value	807,864	12.2	592,829	9.3
Total managed investment portfolio	6,543,776	98.6	6,115,730	96.4
Investments in other ventures, under equity method	90,572	1.4	227,075	3.6
Total investments	\$ 6,634,348	100.0%	\$ 6,342,805	100.0%

At December 31, 2007, we held investments totaling \$6.6 billion, compared to \$6.3 billion at December 31, 2006, with net unrealized appreciation included in accumulated other comprehensive income of \$44.7 million at December 31, 2007, compared to \$25.2 million at December 31, 2006. Our investment guidelines, which are approved by our Board, stress preservation of capital, market liquidity, and diversification of risk. Our investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities.

The large majority of our investments consist of highly rated fixed income securities. We also have an allocation to other investments, including hedge funds, private equity partnerships and other investments. At December 31, 2007, these other investments totaled \$807.9 million or 12.2% (2006 \$592.8 million or 9.3%) of our total investments.

At December 31, 2007, our fixed maturities available for sale and short term investment portfolio had a dollar-weighted average credit quality rating of AA (2006 AA) and an average yield to maturity of 4.5% (2006 5.3%), before investment expenses. At December 31, 2007, our non-investment grade fixed maturity investments available for sale totaled \$73.7 million or 1.9% (2006 \$77.9 million or 2.5%) of our fixed maturity investments available for sale. In addition, within our other investments category we have several funds that invest in non-investment grade fixed income securities. At December 31, 2007, the funds that invest in non-investment grade fixed income securities totaled \$193.0 million (2006 \$113.3 million).

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We also hold a significant amount of short term investments. Short term investments are managed as part of our investment portfolio and have a maturity of one year or less when purchased. Short term investments are carried at cost which approximates fair value. At December 31, 2007, we had \$1,821.5 million of short term investments (2006 \$2,411.0 million).

Our target benchmark portfolio for our fixed maturities and short term investments currently has a 3 year duration. Our duration at December 31, 2007 was 1.8 years (2006 1.3 years), reflecting our view that the current level of rates affords inadequate compensation for the assumption of additional interest rate risk associated with longer duration. From time to time, we may reevaluate the duration of our portfolio in light of the duration of our liabilities and market conditions.

As with other fixed income investments, the value of our fixed maturity investments will fluctuate with changes in the interest rate environment and when changes occur in the overall investment market and in overall economic conditions. Additionally, our differing asset classes expose us to other risks which could cause a reduction in the value of our investments. Examples of some of these risks include:

Changes in the overall interest rate environment can expose us to prepayment risk on our mortgage-backed investments. When interest rates decline, consumers will generally make prepayments on their mortgages and, as a result, our investments in mortgage-backed securities will be repaid to us more quickly than we might have originally anticipated. When we receive these prepayments, our opportunities to reinvest these proceeds back into the investment markets would likely be at reduced interest rates. Conversely, when interest rates increase, consumers will generally make fewer prepayments on their mortgages and, as a result, our investments in mortgage-backed securities would be repaid to us less quickly than we might have originally anticipated. This will increase the duration of our portfolio, which is disadvantageous to us in a rising interest rate environment.

Our investments in mortgage-backed securities are also subject to default risk. This risk is due in part to defaults on the underlying securitized mortgages, which would decrease the market value of the investment and be disadvantageous to us.

Our investments in asset-backed securities are subject to prepayment risks, as noted above, and to the structural risks of these securities. The structural risks primarily emanate from the priority of each security in the issuer's overall capital structure.

Our investments in debt securities of other corporations are exposed to losses from insolvencies of these corporations, and our investment portfolio can also deteriorate based on reduced credit quality of these corporations. We are also exposed to widening credit spreads even if specific securities are not downgraded.

Within our other investments category, we have several funds that invest in non-investment grade fixed income securities as well as securities denominated in foreign currencies. These investments expose us to losses from insolvencies and other credit-related issues. We are also exposed to fluctuations in foreign exchange rates that may result in realized losses to us if our exposures are not hedged or if our hedging strategies are not effective.

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, the majority of our hedge fund and private equity partnership valuations are reported on a one month or one quarter 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 totaled \$105.5 million for 2007 (2006 \$65.7 million, 2005 \$59.3 million) of which \$47.3 million (2006 \$30.1 million, 2005 \$28.8 million) was related to net unrealized gains.

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We have committed capital to private equity partnerships of \$436.9 million, of which \$276.3 million has been contributed at December 31, 2007. In addition, we have committed capital to a bank loan fund of \$150.0 million, of which \$75.0 million has been contributed at December 31, 2007. Subsequent to December 31, 2007, we funded the remaining \$75.0 million commitment. In the future, we may enter into additional commitments in respect of private equity partnerships or individual portfolio company investment opportunities.

Investments in Other Ventures, under Equity Method

Year ended December 31,	2007			2006		
	Investment	Ownership %	Carrying Value	Investment	Ownership %	Carrying Value
(in thousands, except percentages)						
ChannelRe	\$ 119,697	32.7	\$	\$ 119,697	32.7	\$ 160,887
Aladdin	25,500	14.6	25,500			
Top Layer Re	13,125	50.0	28,982	13,125	50.0	26,594
Starbound *				28,772	17.8	28,644
Starbound II	19,237	17.1	21,708			
Tower Hill	10,000	28.6	14,382	10,000	28.6	10,950
Total investments in other ventures, under equity method	\$ 187,559		\$ 90,572	\$ 171,594		\$ 227,075

* Effective August 31, 2007, Starbound repurchased the outstanding shares of its investors at book value; as a result, the Company now owns 100% of Starbound and consequently, Starbound became a consolidated entity effective August 31, 2007. Investments in other ventures, under equity method includes our investment in ChannelRe of \$nil (2006 \$160.9 million). We invested \$119.7 million in 2004, representing a 32.7% ownership interest in ChannelRe. During the fourth quarter of 2007, ChannelRe estimated its unrealized mark-to-market losses in its portfolio of financial guaranty contracts accounted for as derivatives under GAAP, were in excess of its shareholders' equity. As a result of these mark-to-market losses, the Company has reduced its carried value of ChannelRe to \$nil at December 31, 2007. Investments in other ventures, under equity method also includes an investment in Top Layer Re of \$29.0 million (2006 \$26.6 million) and in Tower Hill Holdings Inc. (Tower Hill) of \$14.4 million (2006 \$11.0 million). We originally invested \$13.1 million and \$10.0 million in Top Layer Re and Tower Hill, respectively, representing a 50.0% and 28.6% ownership, respectively. The equity in (losses) earnings of ChannelRe and Tower Hill are reported one quarter in arrears, except that our 2007 results reflect the estimated fourth quarter charge from ChannelRe as it relates to unrealized mark-to-market losses in ChannelRe's portfolio of financial guaranty contracts accounted for as derivatives under GAAP. In May 2007, the Company invested \$10.0 million in Starbound II, which represents a 9.8% equity ownership interest in Starbound II and, in December 2007, the Company invested an additional \$9.2 million in Starbound II which increased the Company's investment and ownership percentage to \$19.2 million and 17.1%, respectively. Investments in other ventures, under equity method also included an investment in Starbound of \$28.6 million at December 31, 2006. We initially invested \$7.5 million in Starbound in May 2006 and, in December 2006, we purchased additional shares from existing shareholders of Starbound for consideration of \$21.3 million, representing a 17.8% ownership interest at December 31, 2006. Effective August 31, 2007, Starbound repurchased the outstanding shares of its investors at book value; as a result, the Company now owns 100% of Starbound and consequently, Starbound became a consolidated entity effective August 31, 2007.

During the fourth quarter of 2007, the Company invested \$25.5 million in the preferred equity of Aladdin, representing a 14.6% ownership interest.

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RIHL was formed to enhance administrative efficiency and take advantage of the increased benefits and reduced costs ordinarily associated with the management of large investment portfolios of different subsidiaries in the same group. In addition, the administrative efficiency afforded by the use of RIHL facilitates the establishment of our collateralized letter of credit facility on advantageous terms that we believe would otherwise not be available. RIHL holds investment grade fixed income securities and short term investments. Through RIHL, certain of our operating subsidiaries invest in a diversified portfolio of highly liquid debt securities which are recorded at fair value. RIHL has been assigned a rating of AA+/S2 by S&P and 100% of the securities held through RIHL have been assigned a rating of AA or higher by S&P. We may redeem our interests in RIHL at the current net asset value no more frequently than monthly. Third party service providers perform custodial functions in respect of RIHL, including valuation of the investment assets held through RIHL. Currently, an external investment manager manages the assets held through RIHL, pursuant to written investment guidelines.

Under the terms of certain reinsurance contracts, certain of our subsidiaries and joint ventures are required to provide letters of credit to reinsureds in respect of reported claims and/or unearned premiums. As described below under Management's Discussion and Analysis of Financial Condition and Results of Operations Summary of Results of Operations for 2007, 2006 and 2005 Capital Resources, we maintain a facility which, as of December 31, 2007, makes available to our operating subsidiaries and joint ventures letters of credit having an aggregate face amount not to exceed \$1.4 billion. To support the facility, our participating operating subsidiaries and joint ventures have pledged RIHL shares and other securities owned by them as collateral. At February 12, 2008, we had \$997.6 million of letters of credit with effective dates on or before December 31, 2007 outstanding under our \$1.4 billion credit facility and total letters of credit outstanding under all facilities was \$1,041.5 million.

See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional disclosures regarding our investments.

Exposure to Sub-Prime

Global financial markets experienced significant stress during the third and fourth quarters of 2007 and early 2008, primarily driven by challenging conditions in the markets related to U.S. sub-prime mortgages (including CDOs based on sub-prime collateral), and in the markets for loans and bonds related to leveraged finance transactions (collectively referred to as sub-prime). This adverse market environment began to intensify toward the end of July 2007 and was characterized by significant credit spread widening, prolonged illiquidity, reduced price transparency and increased volatility. As conditions in these markets deteriorated, other areas such as the asset-backed commercial paper market also experienced decreased liquidity and the equity markets experienced short-term weakness and increased volatility. In addition, a number of participants in the financial guaranty market, which includes MBIA, AMBAC Financial Group, Inc. (AMBAC), FGIC Corporation (FGIC), Financial Security Assurance Holdings Ltd. (FSA), Security Capital Assurance Ltd. (SCA), Assured Guaranty Ltd. (Assured Guaranty), ChannelRe and others, have reported significant mark-to-market losses on their portfolio of financial guaranty contracts accounted for as derivatives under GAAP. Certain of these market participants have had their financial strength ratings put on review for possible downgrade by various rating agencies, or such ratings were downgraded and the market capitalization of such participants decreased significantly. In response and in an effort to stabilize market conditions generally, the Federal Reserve and other central banks injected significant liquidity into the markets and lowered benchmark interest rates.

Based in part on published news and research reports, further deterioration in the performance of the sub-prime mortgage sector appears to be generally expected; however, the extent and duration of the current deterioration in the credit markets more broadly is unknown. It is possible that the continued deterioration in the credit markets noted above would significantly adversely impact the overall economy, which could directly or indirectly give rise to adverse impacts on us, potentially including impacts we can not currently reasonably foresee. In addition, there can be no assurance that any of the governmental or private sector initiatives designed to address such credit deterioration in the markets will be implemented, or that if implemented would be successful.

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We believe that the Company is currently principally exposed to sub-prime through its investments in ventures accounted for under the equity method, its investment portfolio and through its underwriting portfolio. Following is a summary of our current estimates relating to these exposures.

Investments in other ventures under equity method. During 2007, ChannelRe, a privately owned financial guaranty reinsurer, of which we own 32.7%, and whose sole cedant is MBIA, suffered a significant net loss which reduced ChannelRe's GAAP shareholders' equity below \$nil. The net loss was driven by unrealized mark-to-market losses related to financial guaranty contracts accounted for as derivatives under GAAP. As a result, the Company reduced its carried value in ChannelRe to \$nil which negatively impacted our net income by \$167.2 million in 2007. As a result of reducing our carried value in ChannelRe to \$nil, combined with the fact that we have no further contractual obligations to provide capital or other support to ChannelRe, we believe we currently have no further negative economic exposure to ChannelRe.

During the fourth quarter of 2007, we invested \$25.5 million in the preferred equity of Aladdin. Aladdin is a newly formed AAA-rated credit derivatives company and provides credit protection on fixed income securities in return for a premium. Aladdin's business is to accept exposure to credit markets and, thus, its results of operations, and our equity pick-up, will fluctuate significantly based on credit markets. As of December 31, 2007, Aladdin was still in its initial start-up phase and had not written any business. The Company's current maximum economic exposure to Aladdin is its current carrying value of \$25.5 million.

Investments. At December 31, 2007, the Company had \$nil positions in fixed income securities backed by sub-prime loan collateral within its portfolio of fixed maturity investments available for sale and short term investments. The Company's investment guidelines and/or standing orders prohibit our fixed income investment managers from investing in securities supported by sub-prime collateral. In addition, our guidelines require that all securitized assets in our portfolio of fixed maturity investments available for sale and short term investments be AAA rated and prohibit investments in CDOs, collateralized loan obligations (CLOs) and home equity loans as well as fixed income investments where the credit rating is backed by a financial guaranty company.

At December 31, 2007, we had \$126.4 million in hedge fund investments and \$301.4 million in private equity investments. Our hedge funds and private equity investments are generally managed by diversified multi-strategy managers who we currently do not believe are over-exposed to any one sector. Our hedge fund managers independently direct and control the underlying investments and positions of such funds, and it is possible that through these funds we have more indirect exposure to sub-prime developments than we have currently estimated, or that such exposure may increase in future periods. Within our private equity portfolio, we have exposure to sub-prime through underlying portfolio investments, such as financial institutions, which have been impacted by sub-prime. Overall, we estimate that our exposure to sub-prime in our portfolio of hedge funds and private equity investments is limited as of December 31, 2007.

While our current positions in sub-prime within our portfolio of fixed maturity investments available for sale is \$nil, and our exposure within our hedge fund and private equity portfolio is limited, we may amend our investment guidelines in future periods and/or may elect to assume exposure to this and/or other more risky asset classes if we believe we are being paid appropriately to assume this additional risk.

Underwriting Portfolio. The Company's reinsurance portfolio is exposed to risks relating to sub-prime mortgage litigation, including claims against financial institutions and other organizations involved in the underwriting, soliciting, documentation collateralization, brokering, marketing, rating or purchase of sub-prime mortgages (including through derivative instruments). We believe that the sub-prime situation in the U.S. will likely have an effect on other lines in the insurance industry, mainly directors & officers (D&O), errors & omissions (E&O) and other professional lines coverage. It appears that a large number of professional service firms could be affected across these lines. Our casualty clash book of business, within the specialty unit of our Reinsurance segment, has exposure to sub-prime losses through the D&O and E&O market. Our estimate of these losses at December 31, 2007 is \$60.0 million and this loss is included in our Reinsurance segment results for 2007. In addition, our specialty unit has exposure to risks relating to the decrease in home demand through our surety book of business, which could lead to delays and defaults in projects, and could cause additional losses, although we currently believe we have no sub-prime related losses in our surety book of business.

Table of Contents**MARKETING****Reinsurance**

We believe that our modeling and technical expertise, the risk management advice that we provide to our clients, and our reputation for paying claims promptly has enabled us to become a provider of first choice in many lines of business to our customers worldwide. We market our Reinsurance products worldwide exclusively through reinsurance brokers and we focus our marketing efforts on targeted brokers. We believe that our existing portfolio of business is a valuable asset and, therefore, we attempt to continually strengthen relationships with our existing brokers and clients. We target prospects that are capable of supplying detailed and accurate underwriting data and that potentially add further diversification to our book of business.

We believe that primary insurers and brokers willingness to use a particular reinsurer is based not just on pricing, but also on the financial security of the reinsurer, its claim paying ability ratings and demonstrated willingness to pay valid claims, the quality of a reinsurer's service, the reinsurer's willingness and ability to design customized programs, its long-term stability and its commitment to provide reinsurance capacity. We believe we have established a reputation with our brokers and clients for prompt response on underwriting submissions, fast claims payments and a reputation for providing creative solutions to our customers' needs. Since we selectively write large lines on a limited number of property catastrophe reinsurance contracts, we can establish reinsurance terms and conditions on those contracts that are attractive in our judgment, make large commitments to the most attractive programs and provide superior client responsiveness. We believe that our willingness and ability to design customized programs and to provide advice on catastrophe risk management has helped us to develop long-term relationships with brokers and clients.

Our reinsurance brokers assess client needs and perform data collection, contract preparation and other administrative tasks, enabling us to market our reinsurance products cost effectively by maintaining a smaller staff. We believe that by maintaining close relationships with brokers, we are able to obtain access to a broad range of potential reinsureds. In recent years, our distribution has become increasingly reliant on a small number of such relationships. We expect this concentration to continue and perhaps increase. The following table shows the percentage of our Reinsurance segment gross premiums written generated through our largest brokers for the years ended December 31, 2007, 2006 and 2005:

Year ended December 31,	2007	2006	2005
Percentage of gross premiums written			
Benfield Group Limited	50.0%	40.6%	35.8%
Marsh Inc.	19.6	25.4	26.1
Willis Group	11.8	14.3	17.4
AON Corporation	10.4	9.8	10.1
Total of four largest brokers	91.8	90.1	89.4
All others	8.2	9.9	10.6
Total percentage of gross premiums written	100.0%	100.0%	100.0%

During 2007, our Reinsurance segment issued authorization for coverage on programs submitted by 38 brokers worldwide (2006 41 brokers). We received approximately 1,950 program submissions during 2007 (2006 approximately 2,100). Of these submissions, we issued authorizations for coverage for approximately 790 programs, or approximately 40.5% of the program submissions received (2006 approximately 750 programs, or approximately 36%).

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Our Individual Risk business is produced primarily through three distribution channels as per the table below:

Year ended December 31,	2007	2006	2005
Individual Risk gross premiums written			
Program managers	74.5%	63.2%	52.7%
Quota share reinsurance	25.1	34.5	42.0
Broker-produced business	0.4	2.3	5.3
Total Individual Risk gross premiums written	100.0%	100.0%	100.0%

The business produced through program managers, quota share reinsurance and broker-produced business principally comes to us through intermediaries. Our financial security ratings, combined with our reputation in the reinsurance marketplace, including the long-standing relationships we have developed with our reinsurance intermediaries, have enhanced our presence in our Individual Risk markets.

With respect to our program business, we believe that our strategy of establishing strong relationships and assisting our partners with modeling, risk analysis and other expertise has helped us to develop a favorable reputation in this market. We believe that our existing program managers are an important source of referrals and endorsements of our approach to this business.

Our broker-produced business is principally business written on an excess and surplus lines basis by Glencoe and Lantana on a risk-by-risk basis. This business is generally submitted to us through licensed surplus lines brokers who are generally responsible for regulatory compliance, premium tax collection and certain other matters associated with policy placement.

EMPLOYEES

At February 12, 2008, we and our subsidiaries employed 236 people worldwide. We believe our strong employee relations are among our most significant strengths. None of our employees are subject to collective bargaining agreements. We are not aware of any current efforts to implement such agreements at any of our subsidiaries. We believe that our employee headcount will increase over time as we expand our operations and seek to further develop our capabilities.

A majority of our employees and all of our officers and directors receive some form of equity-based incentive compensation as part of their overall compensation package. At February 12, 2008, our directors and executive officers beneficially owned approximately 5.1% of our outstanding common shares. In addition, all of our directors and executive officers are subject to equity ownership guidelines that require each to hold a specified amount of equity.

Many of our Bermuda-based employees, including a majority of our senior executives, are employed pursuant to work permits granted by the Bermuda authorities. These permits expire at various times over the next few years. Substantially all of our officers are working in Bermuda under work permits that will expire over the next three years. The Bermuda government could refuse to extend these work permits, which would adversely impact us. Bermuda government policy limits the duration of work permits to a total of six years, which is subject to certain exemptions for key employees; although we can provide no assurance that the Bermuda government may not seek to revoke the six year exemption for key employees.

All of our senior executives and many of our senior officers are subject to employment agreements providing for, among other things, confidentiality, non-solicitation and non-competition obligations on the part of the executives and provisions relating to our indemnification and severance obligations.

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INFORMATION TECHNOLOGY

Our information technology infrastructure is important to our business. Our information technology platform, supported by a team of professionals, is currently principally located in our corporate headquarters and principal corporate offices in Bermuda. Additional information technology assets are maintained at the office locations of our operating subsidiaries. We have implemented backup procedures that seek to ensure that our key business systems and data are backed up, generally on a daily basis, and can be restored promptly if and as needed. In addition, we generally store backup information at off-site locations, in order to seek to minimize our risk of loss of key data in the event of a disaster.

We have implemented and periodically test our disaster recovery plans with respect to our information technology infrastructure. Among other things, our recovery plans involve arrangements with off-site, secure data centers in alternative locations. We believe we will be able to access our systems from these facilities in the event that our primary systems are unavailable due to a scenario such as a natural disaster.

REGULATION

Bermuda Regulation

Registration. The Insurance Act 1978, as amended, and Related Regulations (the Insurance Act), which regulates the business of our Bermuda insurance subsidiaries, provides that no person may carry on an insurance business (including the business of reinsurance) in or from within Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority (the BMA). As a holding company, RenaissanceRe is not subject to Bermuda insurance law and regulations. However, as discussed in detail below, the Insurance Act and related regulations thereof regulate the insurance business of most of our operating insurance companies. Renaissance Reinsurance and DaVinci are registered as Class 4 insurers, and Glencoe, Lantana, Tim Re, Starbound Re and Top Layer Re are registered as Class 3 insurers under the Insurance Act. The BMA, in deciding whether to grant registration, has broad discretion to act as it thinks fit in the public interest. The BMA is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise. In connection with the applicant's registration, the BMA may impose conditions relating to the writing of certain types of insurance. Further, the Insurance Act stipulates that no person shall, in or from within Bermuda, act as an insurance manager, broker, agent or salesman unless registered for the purpose by the BMA. The Insurance Act also grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies. Ventures is registered as an insurance manager under the Insurance Act.

The Insurance Act imposes on Bermuda insurance companies certain solvency and liquidity standards and auditing and reporting requirements. The Insurance Act also grants the BMA powers to supervise, investigate and intervene in the affairs of insurance companies. Certain significant aspects of the Bermuda insurance regulatory framework are set forth below.

Cancellation of Insurer's Registration. An insurer's registration may be canceled by the BMA on certain grounds specified in the Insurance Act, including failure of the insurer to comply with a requirement made of it under the Insurance Act or if, in the opinion of the BMA, after consultation with the Insurance Advisory Committee, the insurer has not been carrying on business in accordance with sound insurance principles.

Independent Approved Auditor. Every registered insurer must appoint an independent auditor who will annually audit and report on the Statutory Financial Statements and the Statutory Financial Return of the insurer, both of which, in the case of each of a Class 3 insurer and a Class 4 insurer, are required to be filed annually with the BMA. The auditor must be approved by the BMA as the independent auditor of the insurer. If the insurer fails to appoint an approved auditor or at any time fails to fill a vacancy for such auditor, the BMA may appoint an approved auditor for the insurer and shall fix the remuneration to be paid to the approved auditor within fourteen days, if not agreed sooner by the insurer and the auditor. The approved auditor may be the same person or firm which audits the insurer's financial statements and reports for presentation to its shareholders.

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Loss Reserve Specialist. Each Class 3 and Class 4 insurer is required to submit an annual loss reserve opinion on the adequacy of the loss and loss expense provisions reflected in an insurer's Statutory Financial Statements and Statutory Financial Return and other matters required by the BMA when filing the Annual Statutory Financial Return. This opinion must be issued by the insurer's approved Loss Reserve Specialist. The Loss Reserve Specialist, who will normally be a qualified casualty actuary, must be approved by the BMA.

Statutory Financial Statements. An insurer must prepare Annual Statutory Financial Statements. The Insurance Act prescribes rules for the preparation and substance of such Statutory Financial Statements (which include, in statutory form, a balance sheet, income statement, and a statement of capital and surplus, and detailed notes thereto). The insurer is required to give detailed information and analyses regarding premiums, claims, reinsurance and investments. The Statutory Financial Statements are not prepared in accordance with GAAP and are distinct from the financial statements prepared for presentation to the insurer's shareholders under the Companies Act 1981 of Bermuda, as amended (the Companies Act), which financial statements may be prepared in accordance with GAAP. The insurer is required to submit the Annual Statutory Financial Statements as part of the Annual Statutory Financial Return. The Statutory Financial Statements and the Statutory Financial Return do not form part of the public records maintained by the BMA.

Minimum Solvency Margin and Restrictions on Dividends and Distributions. The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin which varies with the type of registration of the insurer under the Insurance Act and the insurer's net premiums written and loss reserve level. The minimum solvency margin for a Class 4 insurer with respect to its general business is the greatest of \$100.0 million, 50% of net premiums written (with a credit for reinsurance ceded not exceeding 25% of gross premiums) and 15% of loss and loss expense provisions and other insurance reserves. The minimum solvency margin for a Class 3 insurer with respect to its general business is the greater of \$1.0 million or 20% of the first \$6.0 million of net premiums written; if in excess of \$6.0 million, the figure shall be \$1.2 million plus 15% of net premiums written in excess of \$6.0 million.

The Insurance Act mandates certain actions and filings with the BMA if a Class 3 insurer or a Class 4 insurer fails to meet and/or maintain the required minimum solvency margin. Both Class 3 insurers and Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio (the relevant margins) or if the declaration or payment of such dividend would cause the insurer to fail to meet the relevant margins. Where an insurer fails to meet its relevant margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA. Further, a Class 4 insurer is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its relevant margins. Class 3 insurers and Class 4 insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to those under the Companies Act which apply to all Bermuda companies.

Minimum Liquidity Ratio. The Insurance Act provides a minimum liquidity ratio for general business. An insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, and reinsurance balances receivable.

There are certain categories of assets, which, unless specifically permitted by the BMA, do not qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates, and real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (by interpretation, those not specifically defined).

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Annual Statutory Financial Return. Class 3 and Class 4 insurers are required to file with the BMA a Statutory Financial Return no later than four months after the insurer's financial year end (unless specifically extended). The Statutory Financial Return includes, among other items, a report of the approved independent auditor on the Statutory Financial Statements of the insurer; a declaration of the statutory ratios; a solvency certificate; the Statutory Financial Statements themselves; the opinion of the approved Loss Reserve Specialist in respect of the loss and loss expense provisions and, only in the case of Class 4 insurers, certain details concerning ceded reinsurance. The solvency certificate and the declaration of the statutory ratios must be signed by the principal representative and at least two directors of the insurer, who are required to state whether the minimum solvency margin and, in the case of the solvency certificate, the minimum liquidity ratio, have been met, and the independent approved auditor is required to state whether in its opinion it was reasonable for them to so state and whether the declaration of the statutory ratios complies with the requirements of the Insurance Act. Where an insurer's accounts have been audited for any purpose other than compliance with the Insurance Act, a statement to that effect must be filed with the Statutory Financial Return.

Supervision, Investigation and Intervention. The BMA may appoint an inspector with extensive powers to investigate the affairs of an insurer if the BMA believes that an investigation is required in the interest of the insurer's policyholders or persons who may become policyholders. In order to verify or supplement information otherwise provided to them, the BMA may direct an insurer to produce documents or information relating to matters connected with the insurer's business. Moreover, the BMA has the power to appoint professional persons to prepare reports about registered insurers, such as Renaissance Reinsurance, DaVinci and Glencoe. If it appears to the BMA to be desirable in the interests of policyholders, the BMA may also exercise these powers in relation to subsidiaries, parents and other affiliates of registered insurers.

An inspector may examine on oath any past or present officer, employee or insurance manager of the insurer under investigation in relation to its business and apply to the court in Bermuda for an order that other persons may also be examined on any matter relevant to the investigation. It will be the duty of any insurer in relation to whose affairs an inspector has been appointed and of any past or present officer, employee or insurance manager of such insurer, to produce to the inspector on request all books, records and documents relating to the insurer under investigation which are in its or his custody or control and otherwise to give to the inspector all assistance in connection with the investigation which it or he is reasonably able to give.

If it appears to the BMA that there is a risk of the insurer becoming insolvent, or that the insurer is in breach of the Insurance Act or any conditions of its registration under the Insurance Act, the BMA may direct the insurer not to take on any new insurance business; not to vary any insurance contract if the effect would be to increase the insurer's liabilities; not to make certain investments; to realize or not to realize certain investments; to maintain in, or transfer to the custody of, a specified bank, certain assets; not to declare or pay any dividends or other distributions or to restrict the making of such payments and/or to limit its premium income and to remove a controller or officer.

In addition to powers under the Insurance Act to investigate the affairs of an insurer, the BMA may require certain information from an insurer (or certain other persons) to be produced to them. The BMA has the power to assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda if the BMA is satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities and that such cooperation is in the public interest. The grounds for disclosure by the BMA to a foreign regulatory authority without consent of the insurer are limited and the Insurance Act provides for sanctions for breach of the statutory duty of confidentiality. In 2005, the BMA commenced an on site review of the Company which concluded in March 2007 with no significant action points identified.

Under the Companies Act, the Insurance Supervisor has been given powers to assist a foreign regulatory authority which has requested assistance in connection with inquiries being carried out by it in the performance of its regulatory functions. The Insurance Supervisor's powers include requiring a person to furnish him with information, to produce documents to him, to attend and answer questions and to give assistance in connection with enquiries. The Insurance Supervisor must be satisfied that the assistance

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requested by the foreign regulatory authority is for the purpose of its regulatory functions and that the request is in relation to information in Bermuda which a person has in his possession or under his control. The Insurance Supervisor must consider, among other things, whether it is in the public interest to give the information sought.

Any person who, directly or indirectly, becomes a holder of at least 10%, 20%, 33% or 50% of the common shares of the Company must notify the BMA in writing within 45 days of becoming such a holder or 30 days from the date they have knowledge of such a holding, whichever is later. The BMA may, by written notice, object to such person if it appears to the BMA that the person is not fit and proper to be such a holder. The BMA may require the holder to reduce their holding of common shares in the Company and direct, among other things, that the voting rights attaching to the common shares shall not be exercisable. A person that does not comply with such a notice or direction from the BMA will be guilty of an offense.

An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. For the purpose of the Insurance Act, the principal office of our Bermuda registered insurance companies is our office at Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda. Without a reason acceptable to the BMA, an insurer may not terminate the appointment of its principal representative, and the principal representative may not cease to act as such, unless fourteen days notice in writing to the BMA is given of the intention to do so. It is the duty of the principal representative, having formed the view that there is a likelihood of the insurer for which he acts becoming insolvent or its coming to his knowledge, or his having reason to believe that a reportable event has occurred, to orally notify the BMA immediately and, within fourteen days of the relevant view having been formed, to make a report in writing to the BMA setting out all the particulars of the case that are available to him. Examples of such an event include failure by the insurer to comply substantially with a condition imposed upon the insurer by the BMA relating to a solvency margin, a liquidity ratio or other ratio.

Certain Other Bermuda Law Considerations. As exempted companies, we and our Bermuda subsidiaries are exempt from certain Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians. However, as exempted companies, we and our Bermuda subsidiaries may not participate in certain business transactions, including (1) the acquisition or holding of land in Bermuda (except that required for their business and held by way of lease or tenancy for terms of not more than 50 years) without required authorization, (2) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Insurance Supervisor, (3) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities or securities issued by Bermuda public authorities or, (4) the carrying on of business of any kind in Bermuda, except in furtherance of our business carried on outside Bermuda or under license granted by the Insurance Supervisor. Generally it is not permitted without a special license granted by the Insurance Supervisor to insure Bermuda domestic risks or risks of persons of, in or based in Bermuda.

We and our Bermuda subsidiaries must comply with the provisions of the Companies Act regulating the payment of dividends and making distributions from contributed surplus. A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

We anticipate that the requirements with respect to solvency capital requirements will be enacted in 2008 and 2009. Based on our review of published consultation papers and our internal models, we do not currently believe our capital requirements would be impacted by the new regulations.

U.S. Regulation

Reinsurance Regulation. Our Bermuda-domiciled insurance operations and joint ventures principally consist of Renaissance Reinsurance, DaVinci, Glencoe and Lantana. Renaissance Reinsurance, DaVinci, Starbound II and Top Layer Re are Bermuda-based companies that operate as reinsurers. Although none of these companies are admitted to transact the business of insurance in any jurisdiction except Bermuda, the insurance laws of each state of the U.S. regulate the sale of reinsurance to ceding insurers authorized in the

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state by non-admitted alien reinsurers, such as Renaissance Reinsurance or DaVinci, acting from locations outside the state. Rates, policy terms and conditions of reinsurance agreements generally are not subject to regulation by any governmental authority. A primary insurer ordinarily will enter into a reinsurance agreement, however, only if it can obtain credit for the reinsurance ceded on its statutory financial statements. In general, regulators permit ceding insurers to take credit for reinsurance in the following circumstances:

if the reinsurer is licensed in the state in which the primary insurer is domiciled or, in some instances, in certain states in which the primary insurer is licensed;

if the reinsurer is an accredited or otherwise approved reinsurer in the state in which the primary insurer is domiciled or, in some instances, in certain states in which the primary insurer is licensed;

in some instances, if the reinsurer (a) is domiciled in a state that is deemed to have substantially similar credit for reinsurance standards as the state in which the primary insurer is domiciled and (b) meets certain financial requirements;
or

if none of the above apply, to the extent that the reinsurance obligations of the reinsurer are collateralized appropriately, typically through the posting of a letter of credit for the benefit of the primary insurer or the deposit of assets into a trust fund established for the benefit of the primary insurer.

As alien companies, our Bermuda subsidiaries collateralize their reinsurance obligations to U.S. insurance companies. With some exceptions, the sale of insurance or reinsurance from within a jurisdiction where the insurer is not admitted to do business is prohibited. Neither Renaissance Reinsurance nor DaVinci intends to maintain an office or to solicit, advertise, settle claims or conduct other insurance activities in any jurisdiction other than Bermuda where the conduct of such activities would require that each company be so admitted.

The Financial Condition Committee of the National Association of Insurance Commissioners (NAIC) has adopted a framework memorandum that outlines a proposal to modernize the current U.S. reinsurance regulatory framework. The proposal includes the creation of the NAIC Reinsurance Supervision Review Department (RSRD) to determine which foreign regulatory regimes are functionally equivalent to that of the United States, entitling them to enter into mutual recognition agreements. In addition, the creation of a port of entry certification process is proposed that would allow non-U.S. reinsurers from RSRD approved jurisdictions to enter the U.S. reinsurance market through a single jurisdiction. The establishment of appropriate collateral levels from zero to 100% for both U.S. and non-U.S. reinsurers is listed as an outstanding issue in the proposal. If the changes contemplated by the framework memorandum ultimately lead to a reduction of the collateral requirements for non-U.S. reinsurers, such changes could be beneficial to our Bermuda subsidiaries by permitting them to post less collateral to secure their respective reinsurance obligations to their respective U.S. ceding companies. At this time, we are unable to determine whether any changes in the U.S. reinsurance regulatory framework will be implemented based on the foregoing proposal and the effect, if any, such changes would have on our operations or financial condition.

Excess and Surplus Lines Regulation. Glencoe and Lantana, both domiciled in Bermuda, are not licensed in the U.S. but are eligible to offer coverage in the U.S. exclusively in the surplus lines market. Glencoe and Lantana are eligible to write surplus lines primary insurance in 51 and 49 jurisdictions of the U.S., respectively, and each is subject to the surplus lines regulation and reporting requirements of the jurisdictions in which it is eligible to write surplus lines primary insurance. In accordance with certain provisions of the NAIC Nonadmitted Insurance Model Act, which provisions have been adopted by a number of states, Glencoe and Lantana have each established, and are required to maintain, a trust funded to a minimum amount as a condition of its status as an eligible, non-admitted insurer in the U.S.

The regulation of surplus lines insurance differs significantly from the licensed or admitted market. The regulations governing the surplus lines market have been designed to facilitate the procurement of coverage, through specially licensed surplus lines brokers, for hard-to-place risks that do not fit standard underwriting criteria and are otherwise eligible to be written on a surplus lines basis. Most particularly,

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surplus lines regulation generally provides for more flexible rules relating to insurance rates and forms. However, strict regulations apply to surplus lines placements under the laws of every state, and state insurance regulations generally require that a risk must be declined by three admitted carriers before it may be placed in the surplus lines market. Initial eligibility requirements and annual requalification standards apply to insurance carriers writing on a surplus basis and filing obligations must also be met. In most states, surplus lines brokers are responsible for collecting and remitting the surplus lines tax payable to the state where the risk is located. Companies such as Glencoe and Lantana which conduct business on a surplus lines basis in a particular state are generally exempt from that state's guaranty fund laws.

Admitted Market Regulation. Our admitted U.S. operations currently consist of Stonington and Stonington Lloyds, both Texas domiciled insurers. Stonington is licensed to write primary insurance in 50 states and the District of Columbia. Stonington Lloyds is a Texas Lloyds company licensed to write primary insurance in Texas. Stonington acts as an attorney-in-fact for Stonington Lloyds. In addition, our insurance company subsidiaries Newstead Insurance Company (Newstead) and Inverness Insurance Company (Inverness) have certificates of authority as admitted, licensed insurers in Delaware and Arizona, respectively, although Newstead and Inverness have not yet conducted any business. As licensed insurers operating in the admitted market, these companies are subject to extensive regulation under U.S. statutes. The extent of regulation varies from state to state but generally has its source in statutes that delegate regulatory, supervisory and administrative authority to a department of insurance in each state. Among other things, state insurance commissioners regulate insurer solvency standards, insurer licensing, authorized investments, premium rates, restrictions on the size of risks that may be insured under a single policy, loss and expense reserves and provisions for unearned premiums, deposits of securities for the benefit of policyholders, policy form approval, policy renewals and non-renewals, and market conduct regulation including both underwriting and claims practices. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and quarterly financial reports. The Texas Department of Insurance retains primary regulatory authority for Stonington and Stonington Lloyds, the Delaware Department of Insurance is the primary regulator for Newstead and the Arizona Department of Insurance is Inverness primary regulator.

In general, licensed U.S. insurers must file with the state departments of insurance in whose states they insure risks all rates for directly underwritten insurance. Licensed U.S. insurers are required to participate in the guaranty associations of the states where they conduct business. Such participation can result in assessments, up to prescribed limits, for losses incurred by policyholders as a result of the impairment or insolvency of other insurance companies. Additionally, some states require licensed insurers to participate in assigned risk plans or other residual market mechanisms which provide coverage with respect to certain lines for insureds that are unable to obtain insurance in the open market. Participation in these residual market mechanisms may take various forms including reinsuring a portion of a pool of policies or directly issuing policies to insureds. An insurer's participation in these plans is typically calculated based on the amount of premium written by the insurer on a voluntary basis for that line of coverage in a prior year. Assigned risk pools generally produce losses which result in assessments to insurers writing the same or similar lines on a voluntary basis. While we expect the exposure in our admitted companies to assessments to generally grow over time, as a result of our growth and the relative change in our product mix, we do not expect the amount of any such guaranty fund assessments, if any, or other assessments to be paid by our admitted companies in 2008 to be material.

Holding Company Regulation. We and our U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require an insurance holding company, and insurers that are subsidiaries of insurance holding companies, to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their capital structure, ownership, financial condition, certain intercompany transactions and general business operations.

Further, in order to protect insurance company solvency, state insurance statutes typically place limitations on the amount of dividends or other distributions payable by insurance companies. For example, Texas, Stonington's and Stonington Lloyds' state of domicile, currently requires that dividends be paid only out of earned statutory surplus and limits the annual amount of dividends payable without the prior approval of the

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Texas Department of Insurance to the greater of 10% of statutory capital and surplus at the end of the previous calendar year or 100% of statutory net income from operations for the previous calendar year. Because of the accumulated deficit in earned surplus from prior operations, Stonington currently cannot pay an ordinary dividend. These insurance holding company laws also impose prior approval requirements for certain transactions with affiliates. In addition, as a result of our ownership of Stonington, Stonington Lloyds, Newstead and Inverness under the terms of applicable state statutes, any person or entity desiring to purchase more than 10% of our outstanding voting securities is required to obtain prior regulatory approval for the purchase.

Terrorism. In November 2002, TRIA was signed into law by the U.S. President. TRIA provides for the federal government to share the risk of loss from certain future terrorist attacks with the insurance industry. Each participating insurance company must pay covered losses equal to a deductible based on a percentage of direct earned premiums for specified commercial insurance lines from the previous calendar year. TRIA was originally scheduled to expire at the end of 2005, but was extended in December 2005 for an additional two years. As extended, the insurer deductible was increased from 15% in 2005 to 20% in 2007. For losses in excess of an insurer's deductible, the federal government covered 90% of the excess losses in 2006, while insurers retained the remaining 10%, with the government's share decreasing to 85% in 2007. Losses covered by the program remained capped annually at \$100.0 billion. The extended TRIA established a new program trigger under which federal compensation became available only if aggregate insured losses sustained by all insurers exceeded \$50.0 million from a certified act of terrorism that occurred after March 31, 2006 and \$100.0 million for losses resulting from a certified act that occurred on or after January 1, 2007. In addition to the new trigger, the \$5.0 million certification threshold continues to apply in order for an event to be certified.

Although TRIA was scheduled to expire at the end of 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 was signed into law by the U.S. President on December 26, 2007. This law renews the existing terrorism risk insurance program for seven years, through December 31, 2014. Certain provisions of TRIA were modified by the 2007 reauthorization. The program was expanded to include domestic terrorism by eliminating from the definition of a certified act of terrorism the requirement that such an act be perpetrated on behalf of any foreign person or foreign interest. The insurer deductible is now fixed at 20% of an insurer's direct earned premium, and the federal share of compensation is fixed at 85% of insured losses that exceed insurer deductibles. The U.S. Treasury Department is required to promulgate regulations to determine the pro-rata share of insured losses if they exceed the \$100 billion cap. In addition, clear and conspicuous notice to policyholders of the \$100 billion cap is required. Under the program reauthorization, the trigger at which federal compensation becomes available remains fixed at \$100 million per year through 2014.

NAIC Ratios. The NAIC has established 11 financial ratios to assist state insurance departments in their oversight of the financial condition of licensed U.S. insurance companies operating in their respective states. The NAIC's Insurance Regulatory Information System (IRIS) calculates these ratios based on information submitted by insurers on an annual basis and shares the information with the applicable state insurance departments. Each ratio has an established usual range of results and assists state insurance departments in executing their statutory mandate to oversee the financial condition of insurance companies. A ratio result falling outside the usual range of IRIS ratios is not considered a failing result; rather unusual values are viewed as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. An insurance company may fall out of the usual range for one or more ratios because of specific transactions that are in themselves immaterial. Generally, an insurance company will be subject to regulatory scrutiny if it falls outside the usual ranges with respect to four or more of the ratios.

Risk-Based Capital. The NAIC has implemented a risk-based capital (RBC) formula and model law applicable to all licensed U.S. property/casualty insurance companies. The RBC formula is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. Such analysis permits regulators to identify inadequately capitalized insurers. The RBC formula develops a risk adjusted target level of statutory capital by applying certain factors to insurers' business risks such as asset risk, underwriting risk, credit risk and off-balance sheet risk. The target level of statutory surplus varies not

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only as a result of the insurer's size, but also on the risk profile of the insurer's operations. Insurers that have less statutory capital than the RBC calculation requires are considered to have inadequate capital and are subject to varying degrees of regulatory action depending upon the level of capital inadequacy. The RBC formulas have not been designed to differentiate among adequately capitalized companies that operate with higher levels of capital. Therefore, it is inappropriate and ineffective to use the formulas to rate or to rank such companies. Our U.S. insurance subsidiaries have satisfied the RBC formula since it was created in the mid-1990s and have exceeded all recognized industry solvency standards. As of February 12, 2008, all of our U.S. insurance subsidiaries had adjusted capital in excess of amounts requiring company or regulatory action.

The Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act of 1999 (GLBA) permits mergers that combine commercial banks, insurers and securities firms under one holding company, a financial holding company. Until passage of the GLBA, the Glass-Steagall Act of 1933, as amended, had limited the ability of banks to engage in securities-related businesses, and the Bank Holding Company Act of 1956, as amended, had restricted banks from being affiliated with insurers. As a result of GLBA, the ability of banks to affiliate with insurers may affect our U.S. subsidiaries' product lines by substantially increasing the number, size and financial strength of potential competitors. Privacy provisions of GLBA became fully effective in 2001. These provisions established consumer protections regarding the security and confidentiality of nonpublic personal information and require full disclosure of the privacy policies of financial institutions, including U.S. insurers, to their consumer customers.

Flood Insurance. On September 27, 2007, the U.S. House of Representatives passed legislation, H.R. 3121, the Flood Insurance Reform and Modernization Act (FIRMA), 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. The NFIP is currently estimated to insure approximately five million policyholders in 20,000 communities and has a deficit of approximately \$17.5 billion. The FIRMA bill passed by the House of Representatives 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. On September 28, 2007, FIRMA, as amended, was referred to the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

Homeowners Insurance. On September 25, 2007, the Committee on Financial Services of 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 would (a) create a National Catastrophe Risk Consortium and (b) 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 U.S. Treasury Department to make below-cost loans to participating states or their reinsurance pools and/or residual markets. On November 6, 2007, Senators Clinton (D-NY) and Nelson (D-FL) introduced a companion bill to the Klein-Mahoney Bill in the U.S. Senate, S. 2310, (the Clinton-Nelson Bill), which was referred to the U.S. Senate Committee on Banking, Housing, and Urban Affairs. On November 8, 2007, the U.S. House of Representatives passed the Homeowners Defense Act of 2007, as amended (the HDA). On November 13, 2007, the HDA was referred to the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

The U.S. Senate has not yet approved the HDA, the Clinton-Nelson Bill or FIRMA, as amended by the Taylor Amendment. In addition, the White House indicated a potential presidential veto of FIRMA and a prior version of the HDA. At this time, we are unable to determine whether this legislation or similar legislation will be adopted. Passage of such legislation would adversely affect us, perhaps materially.

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Legislative and Regulatory Proposals. Government intervention in the insurance and reinsurance markets, both in the U.S. and worldwide, continues to evolve. For example, in 2007, Florida enacted insurance-related legislation that expanded the reinsurance coverages offered by the FHC and the primary insurance business that may be written by the state-sponsored Citizens, summarized in more detail below. This legislation caused a substantial decline in the private reinsurance and insurance markets in and relating to Florida, and contributed to the decline in our property catastrophe gross premiums written in 2007 as compared to 2006. (See Risk Factors, Management's Discussion of Financial Condition and Results of Operations and Current Outlook for additional disclosure.)

We are monitoring a number of potential federal and state legislative initiatives. While we cannot predict the exact nature, timing, or scope of other such proposals, if adopted they could adversely affect our business by:

providing government supported insurance and reinsurance capacity in markets and to consumers that we target, such as the legislation enacted in Florida in early 2007, described in more detail below;

requiring our participation in pools and guaranty associations;

regulating the terms of insurance and reinsurance policies;

impacting producer compensation; or

disproportionately benefiting the companies of one country over those of another.

New federal legislation, the Non-Admitted and Reinsurance Reform Act of 2007 (NRRA), was introduced in February 2007. The bill was passed without amendment by the U.S. House of Representatives on June 25, 2007 and referred to the Committee on Banking, Housing and Urban Affairs in the U.S. Senate. If enacted in its current form, the NRRA would set federal standards regarding state regulation of both reinsurance and the surplus lines insurance market. The NRRA would: (i) grant sole regulatory authority with respect to the placement of non-admitted insurance to the policyholder's home state, (ii) limit states to uniform standards for surplus lines eligibility in conformity with the NAIC Non-Admitted Insurance Model Act, (iii) establish a streamlined insurance procurement process for exempt commercial purchasers by eliminating the requirement that brokers conduct a due diligence search to determine whether the insurance is available from admitted insurers, (iv) establish the domicile state of the ceding insurer as the sole regulatory authority with respect to credit for reinsurance and solvency determinations if such state is an NAIC-accredited state or has financial solvency requirements substantially similar to those required for such accreditation and (v) require that premium taxes related to non-admitted insurance only be paid to the policyholder's home state, although the states may enter into a compact or establish procedures to allocate such premium taxes among the states. It is not certain whether NRRA will be approved by the Senate in its current form.

In addition, the Insurance Industry Competition Act of 2007 (the IICA) was introduced in the U.S. Senate and the U.S. House of Representatives in February 2007. The IICA, if enacted in its current form, would remove the insurance industry's antitrust exemption created by the McCarran-Ferguson Act. If enacted in its current form, the IICA would, among other things, (i) effect a different judicial standard providing that joint conduct by insurance companies, such as price sharing, would be subject to scrutiny by the U.S. Department of Justice unless the conduct was undertaken pursuant to a clearly articulated state policy that is actively supervised by the state and (ii) delegate authority to the U.S. Federal Trade Commission to identify insurance industry practices that are not anti-competitive. Passage of the IICA could adversely impact the insurance industry, and might have an impact on our operations.

We are unable to predict whether any of the foregoing proposed legislation, or any other proposed laws and regulations will be adopted, the form in which any such laws and regulations would be adopted, or the effect, if any, these developments would have on our operations and financial condition.

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In addition, the expansion of our primary insurance operations, together with the potential of further expansion into additional insurance markets, could expose us or our subsidiaries to increasing regulatory oversight. However, we intend to continue to conduct our operations so as to minimize the likelihood that Renaissance Reinsurance, DaVinci, Top Layer, Starbound II, or any other Bermudian subsidiaries will become subject to direct U.S. regulation.

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In January 2007, the State of Florida enacted legislation known as Bill No. CS/HB-1A that increased the access of primary Florida insurers to the FHCF. Through the FHCF, the State of Florida 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, as well as optional additional coverage above the mandatory FHCF coverage amount, at specified rates for specified layers of coverage. Further, the legislation expanded the ability of Citizens Property Insurance Corporation, a state-sponsored entity, to compete with private insurance companies, such as ours. In sum, the legislation reduced the role of the private markets in providing support for Florida-based risks, a key target market of ours. While we have sought and intend to continue to seek to utilize our strong relationships, record of superior service and financial strength to mitigate the impact of the legislation, we believe CS/HB-1A caused a substantial decline in the private reinsurance and insurance markets in and relating to Florida, and contributed to the decline in our property catastrophe gross premiums written in 2007 as compared to 2006. Because of our position as one of the largest providers of catastrophe-exposed coverage, both on a global basis and in respect of the Florida market, the legislation may have a disproportionate adverse impact on us compared to other market participants.

It is also possible that other states, particularly those with Atlantic or Gulf Coast-exposures, may enact new or expanded legislation based on the Florida precedent, which would further diminish aggregate private market demand for our products. For example, Louisiana is considering setting up its own reinsurance fund similar to the FHCF and allowing Louisiana Citizens Property Insurance Company, a state-sponsored company, to compete with the private sector. Moreover, we believe that numerous modeled potential catastrophes could exceed the actual or politically acceptable bonded capacity of the FHCF, which could lead either to a severe dislocation or the necessity of federal intervention in the Florida market, either of which would adversely impact the private insurance and reinsurance industry. Recently, several key political leaders in Florida have publicly expressed concern about the amount of risk assumed by the state of Florida as a result of the legislative changes in 2007. A legislative bill has already been introduced and is currently pending for the 2008 session of the Florida Legislature which proposes to reduce the amount of reinsurance to be offered by the FHCF for the 2008 hurricane season. At this date, however, no assurance can be given that such legislation will be enacted in the form proposed.

AVAILABLE INFORMATION

We maintain a website at <http://www.renre.com>. The information on our website is not incorporated by reference in this Form 10-K.

We make available, free of charge through our website, our financial information, including the information contained in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. We also make available, free of charge from our website, our Audit Committee Charter, Compensation/Governance Committee Charter, Corporate Governance Guidelines and Statement of Policies, and Code of Ethics and Conduct (Code of Ethics). Such information is also available in print for any shareholder who sends a request to RenaissanceRe Holdings Ltd., Attn: Office of the Corporate Secretary, P.O. Box HM 2527, Hamilton, HMGX, Bermuda. Reports filed with the SEC may also be viewed or obtained at the SEC Public Reference Room at 100 F Street, N.E., Washington, DC 20549. Information on the operation of the SEC Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The address of the SEC s website is <http://www.sec.gov>.

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ITEM 1A. RISK FACTORS

Factors that could cause our actual results to differ materially from those in the forward-looking statements contained in this Form 10-K and other documents we file with the SEC include the following:

RISKS RELATED TO OUR COMPANY

Our exposure to catastrophic events and other exposures that we cover could cause our financial results to vary significantly from one period to the next, and the frequency and severity of such events could exceed our estimates.

Our largest product based on total gross premiums written is property catastrophe reinsurance. We also sell lines of specialty reinsurance and certain Individual Risk products that are exposed to catastrophe risk. We therefore have a large overall exposure to natural and man-made disasters, such as earthquakes, hurricanes, tsunamis, winter storms, freezes, floods, fires, tornados and other natural or man-made disasters, such as acts of terrorism. As a result, our operating results have historically been, and we expect will continue to be, significantly affected by relatively few events of large magnitude.

We expect claims from catastrophic events to cause substantial volatility in our financial results for any fiscal quarter or year; moreover, catastrophic claims could adversely affect our financial condition, results of operations and cash flows. Our ability to write new business could also be affected. We believe that increases in the value and geographic concentration of insured property and the effects of inflation will continue to increase the severity of claims from catastrophic events in the future.

From time to time, we expect to have greater exposures in one or more specific geographic areas than our overall share of the worldwide market would unilaterally suggest. Accordingly, when catastrophes were to occur in these areas, we may experience relatively more severe net negative impacts from such events than our competitors.

During 2005, we experienced \$891.9 million of net negative impact from hurricanes Katrina, Rita and Wilma. Principally as a result of these hurricane losses in 2005, we recorded a net loss attributable to common shareholders of \$281.4 million. In 2004, we recorded \$570.2 million of net negative impact from hurricanes Charley, Frances, Ivan and Jeanne. While neither 2007 nor 2006 was characterized by land falling windstorm events resulting in material industry losses, we believe, and recent scientific studies have indicated, that the frequency of hurricanes has increased and may further increase in the future relative to the historical experience over the past 100 years. We continuously monitor and adjust, as we believe appropriate, our risk management models to reflect our judgment of how to interpret current developments and information, such as these studies. However, it is possible that, even after these adjustments, we have underestimated the frequency or severity of hurricanes or other catastrophes.

We may fail to execute our strategy in our newer lines of business, which would impair our future financial results.

Historically, our principal product has been property catastrophe reinsurance. Our specialty reinsurance and Individual Risk lines of business present us with new and expanded challenges and risks which we may not manage successfully. We are not as experienced in these lines of business as we are in property catastrophe reinsurance; for example, we are continuing to expand our claims management function to support these newer lines of business. Businesses in early stages of development present substantial business, financial and operational risks and may suffer significant losses. For example, our current and potential future expansion may require us to develop new client and customer relationships, supplement existing or build new operating procedures, hire staff, develop and install management information and other systems, as well as taking numerous other steps to implement our strategies. If we fail to continue to develop the necessary infrastructure, or otherwise fail to execute our strategy, our results from these newer lines of business will likely suffer, perhaps substantially, and our future financial results may be adversely affected.

Our expansion into these newer lines of business has placed increased demands on our financial, managerial and human resources. For example, we may need to attract additional professionals to, or expand our facilities in, Bermuda, a small jurisdiction with limited resources. To the extent we are unable to

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attract additional professionals, our financial, managerial and human resources may be strained. The growth in our staff and infrastructure also creates more managerial responsibilities for our current senior executives, potentially diverting their attention from the underwriting and business origination functions for which they are also responsible. Our future profitability depends in part on our ability to further develop our resources and effectively manage this expansion. Our inability to achieve such development or effectively manage this expansion may impair our future financial results.

In general, our techniques for evaluating catastrophe risk are much better developed than those for other classes of risk. In addition, our models are not currently structured to seek to predict long-term climate changes, such as those that might be caused by the possible trend toward significant global warming. Moreover, our models and databases may not adequately address the emergence of a variety of matters which might be deemed to impact certain of our coverages, such as the likelihood or potential severity of insured losses from an avian flu pandemic. Accordingly, our models may understate the exposures we are assuming and our financial results may be adversely impacted, perhaps significantly.

Our utilization of brokers, program managers and other third parties to support our business exposes us to operational and financial risks.

Our Individual Risk operations rely on program managers, and other agents and brokers participating in our programs, to produce and service a substantial portion of our operations in this segment. In these arrangements, we typically grant the program manager the right to bind us to newly issued and renewal insurance policies, subject to underwriting guidelines we provide and other contractual restrictions and obligations. Should our program managers issue policies that contravene these guidelines, restrictions or obligations, we could nonetheless be deemed liable for such policies. Although we would intend to resist claims that exceed or expand on our underwriting intention, it is possible that we would not prevail in such an action, or that our program manager would be unable to substantially indemnify us for their contractual breach. We also rely on our program managers, third party administrators or other third parties we retain, to collect premiums and to pay valid claims. We could also be exposed to the program manager's or their producer's operational risk, for example, but not limited to, contract wording errors, technological and staffing deficiencies and inadequate disaster recovery plans.

We could also be exposed to potential liabilities relating to the claims practices of the third-party administrators we have retained to manage substantially all of the claims activity that we expect to arise in our Individual Risk operations. Although we have implemented monitoring and other oversight protocols, we cannot assure you that these measures will be sufficient to mitigate all of these exposures.

We are also subject to the risk that our successful program managers will not renew their programs with us. Although our contracts are generally not for defined terms, generally, either party can cancel the contract in a relatively short period of time. While we believe our arrangements offer numerous benefits to our program participants, we cannot assure you we will retain the programs that produce profitable business or that our insureds will renew with us. Failure to retain or replace the program managers, or the program manager's failure to retain or replace their producers, would impair our ability to execute our growth strategy, and our financial results could be adversely affected.

With respect to our Reinsurance operations we do not separately evaluate each of the individual risks assumed under our reinsurance contracts and, accordingly, like other reinsurers, are heavily dependent on the original underwriting decisions made by our ceding companies. We are therefore subject to the risk that our clients may not have adequately evaluated the risks to be reinsured, or that the premiums ceded to us will not adequately compensate us for the risks we assume, perhaps materially so.

A decline in the ratings assigned to our financial strength may adversely impact our business, perhaps materially so.

Third party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Renaissance Reinsurance, certain operating subsidiaries of Glencoe Group, Top Layer Re, a joint venture which we indirectly own 50% of, and DaVinci. These ratings are based upon criteria established by the rating agencies. Periodically, the rating agencies evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. The financial strength ratings assigned by rating agencies to

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reinsurance or insurance companies are based upon factors relevant to policyholders and are not directed toward the protection of investors. Renaissance Reinsurance is currently rated A+ by A.M. Best, AA- by Standard & Poor's, A2 by Moody's Investor Service and A by Fitch Ratings. Top Layer Re is rated AA by Standard & Poor's and A+ by A.M. Best. Glencoe is rated A- by A.M. Best. DaVinci is rated A+ by Standard & Poor's and A by A.M. Best. In October 2006, A.M. Best affirmed the financial strength ratings (FSR) and the issuer credit ratings (ICR) of the operating subsidiaries of RenaissanceRe. These affirmations include the FSR of A and the ICR of A of Renaissance Reinsurance, Renaissance Europe and DaVinci; and the FSR of A- and the ICR of A- of the operating subsidiaries of Glencoe Group. At such time, all of the ratings affirmed by A.M. Best were removed from under review and assigned a stable outlook. On December 11, 2006, A.M. Best raised its ICR of Renaissance Reinsurance and Renaissance Europe to a+ from A and affirmed the FCR of A for these two subsidiaries, and the outlook for the ratings of Renaissance Reinsurance and Renaissance Reinsurance of Europe by A.M. Best was revised to positive from stable. Concurrently, A.M. Best upgraded the ICR to bbb+ from bbb, the debt ratings on senior notes to bbb+ from bbb and the ratings on preferred stock to bbb- from bb+ of RenaissanceRe. A.M. Best also upgraded the indicative debt ratings for securities available under shelf registration for RenaissanceRe for senior notes to bbb+ from bbb, subordinated notes to bbb from bbb- and preferred stock to bbb- from bb+ in addition, A.M. Best assigned an indicative debt rating of bbb- to the Series D Preference Shares issued by RenaissanceRe in December 2006. The outlook for all ratings has been revised to positive from stable. On December 13, 2007, Standard & Poor's raised its counterparty credit rating on RenaissanceRe to A from A-. At the same time, Standard & Poor's raised its counterparty credit and FCR on Renaissance Reinsurance to AA- from A+. In addition, Standard & Poor's raised its counterparty credit rating on DaVinci to A+ from A. The outlook on all these companies is stable. On December 19, 2007, A.M. Best upgraded the FSR of Renaissance Europe from A (Excellent) to A+ (Superior) and revised the outlook from positive to stable. Concurrently, A.M. Best upgraded the ICR to a- from bbb+ on the Company's senior notes and from bbb- to bbb on the Company's preferred stock. The outlook for the ICR has been revised to stable from positive, and the outlook for the debt remains stable. Additionally, A.M. Best affirmed the FSR of A (Excellent) and the ICR of A and the FSR of A- (Excellent) and the ICRs of A- of DaVinci and Glencoe, respectively. The rating outlook for DaVinci remains stable and the outlook for Glencoe remains positive.

These ratings are subject to periodic review and may be revised or revoked, by the agencies which issue them. From time to time one or more ratings agencies have effected changes in their capital models and rating methodologies, which have generally served to increase the amounts of capital required to support the ratings. For example, following the higher levels of hurricane frequency in 2004 and 2005, we understand that the rating agencies undertook to review whether or not to require insurance and reinsurance companies that retain catastrophe risk, such as ourselves, to hold a higher level of capital to support this risk, if the insurance or reinsurance companies are to maintain their ratings.

While the ratings of Renaissance Reinsurance remain among the highest in our business, negative ratings actions in the future could have an adverse effect on our ability to fully realize the market opportunities we currently expect to participate in over coming periods. In addition, it is increasingly common for our reinsurance contracts to contain provisions permitting our clients to cancel coverage pro-rata if our relevant operating subsidiary is downgraded below a certain rating level. Whether a client would exercise this right would depend, among other factors, on the reason for such a downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Therefore, in the event of a further downgrade, it is not possible to predict in advance the extent to which this cancellation right would be exercised, if at all, or what effect such cancellations would have on the financial condition or future operations, but such effect potentially could be material. To date we are not aware that we have experienced such a cancellation.

The rating agencies may downgrade or withdraw their FCR in the future if we do not continue to meet the criteria of the ratings previously assigned to us. Our ability to compete with other reinsurers and insurers, and our results of operations, could be materially adversely affected by any such ratings downgrade. For example, following a ratings downgrade we might lose clients to more highly rated competitors or retain a lower share of the business of our clients. The rating of Top Layer Re is dependent in large part upon the rating of State Farm, which provides Top Layer Re with \$3.9 billion of stop loss reinsurance.

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Our claims and claim expense reserves are subject to inherent uncertainties.

Our claims and claim expense reserves reflect our estimates using actuarial and statistical projections at a given point in time of our expectations of the ultimate settlement and administration costs of claims incurred. Although we use actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, we also rely heavily on management's experience and judgment to assist in the establishment of appropriate claim reserves. However, because of the many assumptions and estimates involved in establishing reserves, the reserving process is inherently uncertain.

Our specialty reinsurance and Individual Risk operations are expected to produce claims which frequently can only be resolved through lengthy and unpredictable litigation. The measures required to resolve such claims, including the adjudication process, present more reserve challenges than property losses (which tend to be reported comparatively more promptly and to be settled within a relatively shorter period of time). For both our specialty reinsurance and Individual Risk operations, and our traditional property catastrophe business, actual net claims and claim expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in our financial statements.

We expect that some of our assumptions or estimates will prove to be inaccurate, and that our actual net claims and claim expenses paid will differ, perhaps substantially, from the reserve estimates reflected in our financial statements. To the extent that our actual claims and claim expenses exceed our expectations, we would be required to increase claims and claim expense reserves. This would reduce our net income by a corresponding amount in the period in which the deficiency is identified. To the extent that our actual claims and claim expenses are better than our expectations, we would be required to decrease claims and claim expense reserves and this would increase our net income. In reserving for our specialty reinsurance and Individual Risk coverages we do not have the benefit of a significant amount of our own historical experience in these lines.

Included in our results for 2007 are \$157.5 million of net claims and claim expenses from Kyrill and the U.K. flood losses which occurred in 2007, as well as \$60.0 million in estimated losses associated with exposure to sub-prime related casualty losses. 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. In addition, we believe there is substantial uncertainty in respect of the losses experienced by the industry in respect of sub-prime related casualty losses. The net claims and claim expenses that may emerge in respect of sub-prime are in general based on underlying liability contracts which are considered "long-tail" business, and will therefore take many years before the actual losses are known and reported, which increases the uncertainty with respect to the estimate for ultimate losses for this event. The net claims and claim expenses from Kyrill, the U.K. floods and sub-prime related casualty losses are all attributable to the Company's Reinsurance segment.

Our estimates of losses from catastrophic events such as hurricanes Katrina, Rita and Wilma, as well as the previously reported 2004 hurricanes and windstorms, are based on factors including currently available information derived from our claims information from clients and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of our contracts. Due to the size and unusual complexity of the legal and claims issues relating to these events, particularly hurricane Katrina, meaningful uncertainty remains regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying our loss estimates. In addition, actual losses from these events may increase if our reinsurers or other obligors fail to meet their obligations to us. Our actual losses from these events will likely vary, perhaps materially, from these current estimates due to the inherent uncertainties in reserving for such losses, including the nature of the available information, the potential inaccuracies and inadequacies in the data provided by clients and brokers, the inherent uncertainty of modeling techniques and the application of such techniques, the effects of any demand surge on claims activity and complex coverage and other legal issues.

Unlike the loss reserves of U.S. insurers, the loss reserves of our Bermuda insurers, including Renaissance Reinsurance, DaVinci and Glencoe, are not regularly examined by insurance regulators, although, as

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registered Bermuda insurers, we are required to submit opinions of our approved loss reserve specialist with the annual statutory financial returns of our Bermuda-licensed insurers with regard to their respective loss and loss expenses provisions. The loss reserve specialist, who will normally be a qualified actuary, must be approved by the Bermuda Monetary Authority.

The emergence of matters which may impact certain of our coverages, such as the asserted trend toward potentially significant global warming or the potential for significant industry losses from a possible avian flu pandemic, could cause us to underestimate our exposures and potentially adversely impact our financial results.

In our Reinsurance business, we use analytic and modeling capabilities that help us to assess the risk and return of each reinsurance contract in relation to our overall portfolio of reinsurance contracts. For catastrophe-exposed business in our Individual Risk segment, we also seek to utilize proprietary modeling tools that have been developed in conjunction with the modeling and other resources utilized in our Reinsurance operations. See Item 1. Business Underwriting and Enterprise Risk Management.

Our techniques for evaluating catastrophe risk in our Reinsurance and Individual Risk operations are not currently structured to predict certain types of risks. Our models may fail to adequately address the emergence of matters which may be deemed to impact certain of our coverages, and accordingly may understate the exposures we are assuming. Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters in some parts of the world and created additional uncertainty as to future trends and exposures. Our models may be based on data and assumptions that do not accurately account for these emerging developments. Similarly, the likelihood or potential severity of insured losses from an outbreak of a pandemic disease, such as the Avian Influenza A Virus (H5N1), is uncertain and may not be appropriately reflected in our models. While to date outbreaks of the avian flu continue to occur among poultry or wild birds in a number of countries in Asia, parts of Europe, and recently in Africa, transmission to humans has been rare to date. If the virus mutates to a form that can be transmitted from human to human, it has the potential to spread rapidly worldwide. The contagion and mortality rate of any mutated H5N1 virus that can be transmitted from human to human are highly speculative. If we fail to appropriately model, price for, and contractually address exposures for risks such as these, or others to which we may be exposed, our financial results may be adversely impacted, perhaps significantly.

Because we depend on a few insurance and reinsurance brokers in our Reinsurance segment and a few program managers in our Individual Risk segment for a large portion of revenue, loss of business provided by them could adversely affect us.

Our Reinsurance business markets insurance and reinsurance products worldwide exclusively through insurance and reinsurance brokers. In recent years, we have experienced increased concentration of production from a smaller number of intermediaries. Four brokerage firms accounted for 91.8% of our Reinsurance segment gross premiums written for the year ended December 31, 2007. Subsidiaries and affiliates of the Benfield Group Limited, Marsh Inc., the Willis Group and AON Corporation accounted for approximately 50.0%, 19.6%, 11.8% and 10.4%, respectively, of our Reinsurance segment gross premiums written in 2007. The loss of a substantial portion of the business provided by these brokers would have a material adverse effect on us. Our ability to market our products could decline as a result of any loss of the business provided by these brokers and it is possible that our premiums written would decrease.

Our Individual Risk business markets a significant portion of its insurance and reinsurance products through program managers. In recent years, we have experienced increased concentration of production from a smaller number of intermediaries. Program managers account for 74.5% of our Individual Risk segment gross premiums written for the year ended December 31, 2007. The loss of a substantial portion of the business provided by these program managers would have a material adverse effect on us. Our ability to market our products could decline as a result of any loss of the business provided by these program managers and it is possible that our premiums written would decrease.

Our reliance on reinsurance brokers exposes us to their credit risk.

In accordance with industry practice, we pay virtually all amounts owed on claims under our policies to reinsurance brokers, and these brokers, in turn, pay these amounts over to the insurers that have reinsured

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a portion of their liabilities with us (we refer to these insurers as ceding insurers). Likewise, premiums due to us by ceding insurers are virtually all paid to brokers, who then pass such amounts on to us. In many jurisdictions, if a broker were to fail to make such a payment to a ceding insurer, we would remain liable to the ceding insurer for the deficiency. Conversely, in many jurisdictions, when the ceding insurer pays premiums for these policies to reinsurance brokers for payment over to us, these premiums are considered to have been paid by the cedants and the ceding insurer will no longer be liable to us for those amounts, whether or not we have actually received the premiums. Consequently, in connection with the settlement of reinsurance balances, we assume a substantial degree of credit risk associated with brokers around the world.

Retrocessional reinsurance may become unavailable on acceptable terms.

As part of our risk management, we buy reinsurance for our own account. This type of insurance when purchased to protect reinsurance companies is known as retrocessional reinsurance. Our primary insurance companies also buy reinsurance from third parties.

From time to time, market conditions have limited, and in some cases have prevented, insurers and reinsurers from obtaining reinsurance. Accordingly, we may not be able to obtain our desired amounts of retrocessional reinsurance. In addition, even if we are able to obtain such retrocessional reinsurance, we may not be able to negotiate terms as favorable to us as in the past. This could limit the amount of business we are willing to write, or decrease the protection available to us as a result of large loss events.

When we purchase reinsurance or retrocessional reinsurance for our own account, the insolvency, inability or reluctance of any of our reinsurers to make timely payments to us under the terms of our reinsurance agreements could have a material adverse effect on us. Generally, we believe that the willingness to pay of some reinsurers and retrocessionaires is declining, and that the overall industry ability to pay has also declined due to the adverse results of 2005 and 2004 and other factors. This risk is more significant to us at present than at most times in the past given the substantial retrocessional claims to which we are entitled following the recent large catastrophe loss events of 2005 and 2004. At December 31, 2007, we had recorded \$183.3 million of reinsurance recoverables, net of a valuation allowance of \$8.9 million for uncollectible recoverables. A comparably large portion of the reinsurance recoverables is concentrated with a relatively small number of reinsurers.

We could be adversely impacted by U.S. government authority investigations arising from our restatement of our financial statements, or from a failure to comply with the terms of the Company's settlement agreement with the SEC.

Over the last several years, the SEC, the Office of the Attorney General of the State of New York (the NYAG), the United States Attorney's Office for the Southern District of New York, and other government authorities have been scrutinizing and investigating a number of issues and practices within the insurance industry. We received a subpoena from the SEC in February 2005, a subpoena from the Office of the Attorney General of the State of New York (the NYAG) in March 2005, and a subpoena from the United States Attorney's Office for the Southern District of New York in June 2005, each of which related to the industry-wide investigations into non-traditional, or loss mitigation, (re)insurance products. The subpoenas from the SEC and the United States Attorney's Office also related to our business practice review and to our determination to restate our financial statements for the fiscal years ended December 31, 2003, 2002 and 2001. In addition, we understand that certain of our customers or reinsurers were asked to provide documents and information with respect to contracts to which we are a party in the framework of the ongoing industry-wide investigations.

On February 6, 2007, we announced that the SEC had accepted our offer of settlement to resolve the SEC's investigation. We consented, without admitting or denying any wrongdoing, to entry of a final judgment enjoining future violations of certain provisions of the federal securities laws, and to pay disgorgement of \$1 and a civil penalty of \$15.0 million. In accordance with the terms of the settlement agreement, we have also retained an independent consultant to review certain of our internal controls, policies and procedures as well as the design and implementation of the review conducted by independent counsel reporting to the non-executive members of our Board of Directors and certain additional procedures performed by our auditors in connection with their audit of our financial statements for the fiscal year ended December 31, 2004. The

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amount of the monetary penalty discussed above was provided for in 2005. On March 20, 2007, the court signed the final judgment approving our settlement with the SEC. While we will strive to fully comply with the settlement agreement with the SEC, it is possible 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 such perception that we have failed to comply, could adversely affect us, perhaps materially so.

In September 2006, the SEC filed an enforcement action in the United States District Court for the Southern District of New York against James N. Stanard, our former Chairman and Chief Executive Officer, Martin J. Merritt, our former controller, and Michael W. Cash, a former officer of RenaissanceRe, charging Messrs. Stanard, Merritt and Cash with violations of federal securities laws, including securities fraud, and seeks permanent injunctive relief, disgorgement of ill-gotten gains, if any, plus prejudgment interest, civil money penalties, and orders barring each defendant from acting as an officer or director of any public company. See *Legal Proceedings* for additional information. This ongoing matter could give rise to additional costs, distractions, or impacts to our reputation. It is possible that the ongoing investigation into our 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.

Emerging claim and coverage issues, or other litigation, could adversely affect us.

Unanticipated developments in the law as well as changes in social and environmental conditions could potentially result in unexpected claims for coverage under our insurance and reinsurance contracts. These developments and changes may adversely affect us, perhaps materially so. For example, we could be subject to developments that impose additional coverage obligations on us beyond our underwriting intent, or to increases in the number or size of claims to which we are subject. With respect to our specialty reinsurance and Individual Risk operations, these legal, social and environmental changes may not become apparent until some time after their occurrence. For example, we could be deemed liable for losses arising out of a matter, such as the potential for industry losses arising out of an avian flu pandemic, that we had not anticipated or had attempted to contractually exclude. Our exposure to these uncertainties could be exacerbated by the increased willingness of some market participants to dispute insurance and reinsurance contract and policy wordings. Alternatively, potential efforts by us to exclude such exposures could, if successful, reduce the market's acceptance of our related products. The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. As a result, the full extent of our liability under our coverages may not be known for many years after a contract is issued. Our exposure to this uncertainty will grow as our long-tail casualty businesses grow, because in these lines claims can typically be made for many years, making them more susceptible to these trends than our traditional catastrophe business, which is typically more short-tail. In addition, we could be adversely affected by the growing trend of plaintiffs targeting participants in the property-liability insurance industry in purported class action litigation relating to claim handling and other practices. Although we are seeking to add professional staff and systems to improve our contracts and claims capabilities, we may fail to mitigate our exposure to these growing uncertainties.

The loss of key senior members of management could adversely affect us.

Our success has depended, and will continue to depend, in substantial part upon our ability to attract and retain our executive officers. In particular, we believe we have been substantially dependent upon the services of our senior members of management, who include our co-founder and current Chief Executive Officer and President; the Presidents of Renaissance Reinsurance and RenaissanceRe Ventures Ltd., each of whom has served with us for more than ten years; and the Chief Executive Officer of Glencoe Group. As announced in May 2007, the former President of RenaissanceRe, William Riker, retired from his position at the end of 2007, though he will remain as an employee of the Company serving in an advisory capacity until August 2008. While we do not believe that Mr. Riker's transition will have an adverse impact on our business, we may be unable to foresee, or mitigate, all of the potential impacts of Mr. Riker's departure. In addition, the loss of services of other members of senior management in the future, and the uncertain transition of new members of our senior management team, may strain our ability to execute our growth initiatives. The loss of one or more of our executive officers, including but not limited to Mr. Riker and the persons named above, could adversely impact our business, by, for example, making it more difficult to

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retain clients or other business contacts whose relationship depends in part on the service of the departing executives. In general, the loss of the services of any members of our current senior management team may adversely affect our business, perhaps materially so.

In addition, our ability to execute our business strategy is dependent on our ability to attract and retain a staff of qualified underwriters and service personnel. The location of our global headquarters in Bermuda may impede our ability to recruit and retain highly skilled employees. We do not currently maintain key man life insurance policies with respect to any of our employees.

Under Bermuda law, non-Bermudians (other than spouses of Bermudians, holders of Permanent Residents Certificates and holders of Working Residents Certificates) may not engage in any gainful occupation in Bermuda without a valid government work permit. A work permit may be granted or renewed upon showing that, after proper public advertisement, no Bermudian, spouse of a Bermudian, or holder of a Permanent Residents Certificate or Working Residents Certificate who meets the minimum standards reasonably required by the employer has applied for the job. Substantially all of our officers are working in Bermuda under work permits that will expire over the next three years. The Bermuda government could refuse to extend these work permits, which would adversely impact us. In addition, a Bermuda government policy limits the duration of work permits to a total of six years, which is subject to certain exemptions only for key employees. A work permit is issued with an expiry date (up to five years) and no assurances can be given that any work permit will be issued or, if issued, renewed upon the expiration of the relevant term. If any of our senior executive officers were not permitted to remain in Bermuda, our operations could be disrupted and our financial performance could be adversely affected as a result.

U.S. taxing authorities could contend that one or more of our Bermuda subsidiaries are subject to U.S. corporate income tax, as a result of changes in law or regulations, or otherwise.

If the U.S. Internal Revenue Service (the IRS) were to contend successfully that Renaissance Reinsurance, DaVinci, Glencoe, RIHL, RIMCO or Top Layer Re is engaged in a trade or business in the U.S., Renaissance Reinsurance, DaVinci, Glencoe, RIHL, RIMCO or Top Layer Re would, to the extent not exempted from tax by the U.S.-Bermuda income tax treaty, be subject to U.S. corporate income tax on that portion of its net income treated as effectively connected with a U.S. trade or business, as well as the U.S. corporate branch profits tax. Although we would vigorously resist such a contention, if we were ultimately held to be subject to taxation, our earnings would correspondingly decline.

In addition, benefits of the U.S.-Bermuda income tax treaty which may limit any such tax to income attributable to a permanent establishment maintained by Renaissance Reinsurance, DaVinci, Glencoe, RIHL, RIMCO or Top Layer Re in the U.S. are only available to any of Renaissance Reinsurance, DaVinci, Glencoe, RIHL, RIMCO or Top Layer Re if more than 50% of its shares are beneficially owned, directly or indirectly, by individuals who are Bermuda residents or U.S. citizens or residents. Renaissance Reinsurance, DaVinci, Glencoe, RIHL, RIMCO or Top Layer Re may not be able to continually satisfy such beneficial ownership test or be able to establish it to the satisfaction of the IRS. Finally, it should be noted that it is unclear whether the income tax treaty (assuming satisfaction of the beneficial ownership test) applies to income other than premium income, such as investment income.

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%; 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.

Regulatory challenges in the U.S. or elsewhere to our Bermuda operations claims of exemption from insurance regulation could restrict our ability to operate, increase our costs, or otherwise adversely impact us.

Renaissance Reinsurance, DaVinci and Top Layer Re are not licensed or admitted in any jurisdiction except Bermuda. Renaissance Reinsurance, Glencoe, DaVinci and Top Layer Re each conduct business only from

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their principal offices in Bermuda and do not maintain an office in the U.S. The insurance and reinsurance regulatory framework continues to be subject to increased scrutiny in many jurisdictions, including the U.S. and various states within the U.S. If our Bermuda insurance or reinsurance operations become subject to the insurance laws of any state in the U.S., we could face inquiries or challenges to the future operations of these companies.

Moreover, we could be put at a competitive disadvantage in the future with respect to competitors that are licensed and admitted in U.S. jurisdictions. Among other things, jurisdictions in the U.S. do not permit insurance companies to take credit for reinsurance obtained from unlicensed or non-admitted insurers on their statutory financial statements unless security is posted. Our contracts generally require us to post a letter of credit or provide other security after a reinsured reports a claim. In order to post these letters of credit, issuing banks generally require collateral. It is possible that the European Union or other countries might adopt a similar regime in the future, or that U.S. rules could be altered in a way that treats Bermuda disproportionately. Any such development could adversely affect us.

Glencoe and Lantana are currently eligible, non-admitted excess and surplus lines insurers in, respectively, 51 and 49 states and territories of the U.S. and are each subject to certain regulatory and reporting requirements of these states. However, neither Glencoe nor Lantana is admitted or licensed in any U.S. jurisdiction; moreover, Glencoe only conducts business from Bermuda. Accordingly, the scope of Glencoe's and Lantana's activities in the U.S. is limited, which could adversely affect their ability to compete.

In addition, Stonington, which writes insurance in all 50 states and the District of Columbia on an admitted basis, is subject to extensive regulation under state statutes which confer regulatory, supervisory and administrative powers on state insurance commissioners. Such regulation generally is designed to protect policyholders rather than investors, and relates to such matters as: rate setting; policy forms; limitations on dividends and transactions with affiliates; solvency standards which must be met and maintained; the licensing of insurers and their agents; the examination of the affairs of insurance companies, which includes periodic market conduct examinations by the regulatory authorities; annual and other reports, prepared on a statutory accounting basis; establishment and maintenance of reserves for unearned premiums and losses; and requirements regarding numerous other matters. We could be required to allocate considerable time and resources to comply with these requirements, and could be adversely affected if a regulatory authority believed we had failed to comply with applicable law or regulation. We plan to grow Stonington's business and, accordingly, expect our absolute and relative regulatory burden to increase.

Our current or future business strategy could cause one or more of our subsidiaries to become subject to additional regulation in other jurisdictions. Any failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business, and could also result in fines and other sanctions, any or all of which could adversely affect our financial results and operations.

Operational risks, including systems or human failures, are inherent in business, including ours.

We are subject to operational risks including fraud, employee errors, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements, information technology failures, or external events. Losses from these risks may occur from time to time and may be significant. As our business and operations grow more complex we are exposed to more risk in these areas.

Our modeling, underwriting and information technology and application systems are critical to our success. Moreover, our proprietary technology and application systems have been an important part of our underwriting strategy and our ability to compete successfully. We have also licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable, service providers, or that our information technology or application systems will continue to operate as intended. While we have implemented disaster recovery and other business contingency plans, a defect or failure in our internal controls or information technology and application systems could result in reduced or delayed revenue growth, higher than expected losses, management distraction, or harm to our reputation. We believe appropriate controls and mitigation procedures are in place to prevent significant risk of defect in our internal controls, information technology and application systems, but internal controls provide only

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reasonable, not absolute, assurance as to the absence of errors or irregularities and any ineffectiveness of such controls and procedures could have a material adverse effect on our business.

We may be adversely affected by foreign currency fluctuations.

Our functional currency is the U.S. dollar. A portion of our premium is written in currencies other than the U.S. dollar and a portion of our claims and claim expense reserves is also in non-dollar currencies. Moreover, we maintain a portion of our cash and investments in currencies other than the U.S. dollar. Although we generally seek to hedge significant non-U.S. dollar positions, we may, from time to time, experience losses resulting solely from fluctuations in the values of these foreign currencies, which could cause our consolidated earnings to decrease. In addition, failure to manage our foreign currency exposures could cause our results of operations to be more volatile.

A decline in our investment performance could reduce our profitability and hinder our ability to pay claims promptly in accordance with our strategy.

We derive a significant portion of our income from our invested assets, in amounts which have increased in recent years driven by factors including the increased size of our invested assets. As a result, our financial results increasingly depend on the performance of our investment portfolio, which contains, among other things, fixed maturity securities, such as bonds and mortgage-backed securities. Our operating results are subject to a variety of investment risks, including risks relating to general economic conditions, market volatility, interest rate fluctuations, foreign currency risk, liquidity risk and credit and default risk. Additionally, with respect to certain of our investments, we are subject to pre-payment or reinvestment risk.

As our invested assets have grown substantially in recent years and have come to effect a comparably greater contribution to our financial results, a failure to successfully execute our investment strategy could have a material adverse effect on our overall results. In the event of a significant or total loss in our investment portfolio, the Company's ability to pay any claims promptly in accordance with our strategy could be adversely affected.

The market value of our fixed maturity investments is subject to fluctuation depending on changes in various factors, including prevailing interest rates. As a result of large reinsurance or insurance losses, we may be forced to liquidate our investments at times and prices that are not optimal, which could have a material adverse effect on the performance of our investment portfolio.

Increases in interest rates could cause the market value of our investment portfolio to decrease, perhaps substantially. Conversely, a decline in interest rates could reduce our investment yield, which would reduce our overall profitability. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Any measures we take that are intended to manage the risks of operating in a changing interest rate environment may not effectively mitigate such interest rate sensitivity.

In recent years we have allocated a portion of our portfolio to other investments which have different risk characteristics than our traditional fixed maturity securities and short term investment portfolios. These other investments include private equity partnerships, hedge fund investments, a fund that invests in senior secured bank loans, a European high yield credit fund and catastrophe bonds. Also included in other investments are investments in a medium term note, representing an interest in a pool of European fixed income securities, a non-U.S. dollar convertible fund and miscellaneous other investments. The performance of these other investments had a positive impact on the performance of our investment portfolio from 2005 through 2007, and accordingly if we decreased our relative allocation to these investments it could reduce the returns on our portfolio, adversely affecting our overall profitability.

These other investments are recorded on our consolidated balance sheet at fair value. The fair value of certain of these investments is generally established on the basis of the net valuation criteria established by the managers of such investments. These net valuations are determined based upon the valuation criteria established by the governing documents of the investments. Due to a lag in the valuations reported by the fund managers, the majority of our other investments are reported on a one month or one quarter lag. Such valuations may differ significantly from the values that would have been used had ready markets existed for the shares, partnership interests or notes of the investments. Many of the investments are subject to

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restrictions on redemptions and sales which are determined by the governing documents and limit our ability to liquidate these investments in the short term. These investments expose us to market risks including interest rate risk, foreign currency risk, equity price risk and credit risk. We are unable to precisely quantify these risks as we do not have timely access to the securities underlying each investment. The performance of these investments is also dependent on the individual investment managers and the investment strategies. It is possible that the investment managers will leave and/or the investment strategies will become ineffective. Any of the foregoing could result in a material adverse change to our investment performance, and accordingly adversely affect our financial results.

Given our reliance on external investment managers, we could also be exposed to the operational risks, for example, but not limited to, technological and staffing deficiencies and inadequate disaster recovery plans of our investment managers.

We may require additional capital in the future, which may not be available or only available on unfavorable terms.

We monitor our capital adequacy on a regular basis. The capital requirements of our business depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. Our ability to sell our reinsurance and insurance products is largely dependent upon the quality of our claims paying and financial strength ratings as evaluated by independent rating agencies. To the extent that our existing capital is insufficient to support our future operating requirements, we may need to raise additional funds through financings or limit our growth. Any further equity or debt financing, if available at all, may be on terms that are unfavorable to us. Our ability to raise such capital successfully would depend upon the facts and circumstances at the time, including our financial position and operating results, market conditions, and applicable legal issues.

If we are not able to obtain adequate capital if and when needed, our business, results of operation and financial condition would be adversely affected.

The covenants in our debt agreements limit our financial and operational flexibility, which could have an adverse effect on our financial condition.

We have incurred indebtedness, and may incur additional indebtedness in the future. At December 31, 2007, we had an aggregate of \$452.0 million of indebtedness outstanding, consisting of \$100.0 million of 5.875% Senior Notes due 2013, \$150.0 million of 7.0% Senior Notes due 2008, a \$200.0 million bank loan incurred and fully drawn by our consolidated subsidiary, DaVinciRe, and \$2.0 million outstanding on a revolving credit facility used in our weather trading activities.

Our insurance and reinsurance subsidiaries maintain letter of credit facilities in connection with their insurance and reinsurance business. The largest of these is a secured letter of credit facility established under a reimbursement agreement entered into by certain of our subsidiaries and affiliates. The obligations of each of our subsidiaries and affiliates party to the reimbursement agreement are secured by redeemable preference shares of RIHL. Such subsidiaries and affiliates have the option to, and under certain circumstances may be required to, post alternative forms of collateral. The facility currently is in the amount of \$1.4 billion. We have the right, subject to certain conditions, to increase the size of the facility to \$1.8 billion. At February 12, 2008, the aggregate face amount of letters of credit outstanding under the reimbursement agreement with effective dates on or before December 31, 2007 was \$997.6 million and total letters of credit outstanding under all facilities was \$1,041.5 million. In addition, we maintain a committed revolving credit facility, currently in the amount of \$500.0 million. We have the right, subject to certain conditions, to increase the size of the facility to \$600.0 million. No advances were outstanding under this facility at December 31, 2007.

The agreements covering our indebtedness, particularly our bank loans, contain covenants that limit our ability, among other things, to borrow money, make particular types of investments or other restricted payments, sell assets, merge or consolidate. These agreements also require us to maintain specific financial ratios. If we fail to comply with these covenants or meet these financial ratios, the lenders under our credit facilities could declare a default and demand immediate repayment of all amounts owed to them, cancel their commitments to lend or issue letters of credit, or both, and require us to pledge additional or a different type of collateral.

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By July 2008, we are obligated to repay in full the \$150.0 million of outstanding principal of our 7.0% Senior Notes due 2008. We may not succeed in refinancing this obligation on terms as attractive to us or at all, particularly in light of the current dislocation in the global credit markets. While we currently have sufficient cash to repay the 7.0% Senior Notes in full, we could be adversely impacted if we are unable to obtain debt financing in the future in amounts or on terms as attractive to us as in the past.

Because we are a holding company, we are dependent on dividends and payments from our subsidiaries.

As a holding company with no direct operations, we rely on investment income, cash dividends and other permitted payments from our subsidiaries to make principal and interest payments on our debt and to pay dividends to our shareholders. The holding company does not have any operations and from time to time may not have significant liquid assets. If our subsidiaries are restricted from paying dividends to us, we may be unable to pay dividends or to repay our indebtedness.

Bermuda law and regulations require our subsidiaries which are registered in Bermuda as insurers to maintain a minimum solvency margin and minimum liquidity ratio, and prohibit dividends that would result in a breach of these requirements. Further, Renaissance Reinsurance and DaVinci, as Class 4 insurers in Bermuda, may not pay dividends which would exceed 25% of their respective capital and surplus, unless they first make filings confirming that they meet the required margins. Our Class 3 insurers, including Glencoe, Lantana and Top Layer Re, may not declare or pay dividends during any financial year that would cause that insurer (as the case may be) to fail to meet its minimum solvency margin and minimum liquidity ratio.

Generally, our U.S. insurance subsidiaries may only pay dividends out of earned surplus. Further, the amount payable without the prior approval of the applicable state insurance department is generally limited to the greater of 10% of policyholders' surplus or statutory capital, or 100% of the subsidiary's prior year statutory net income. Since our U.S. insurance subsidiaries' earned surplus is negative, these subsidiaries cannot currently pay dividends without the applicable state insurance department approval.

Some aspects of our corporate structure may discourage third-party takeovers and other transactions or prevent the removal of our current board of directors and management.

Some provisions of our Amended and Restated Bye-Laws have the effect of making more difficult or discouraging unsolicited takeover bids from third parties or preventing the removal of our current board of directors and management. In particular, our Bye-Laws prohibit transfers of our capital shares if the transfer would result in a person owning or controlling shares that constitute 9.9% or more of any class or series of our shares. The primary purpose of this restriction is to reduce the likelihood that we will be deemed a controlled foreign corporation within the meaning of the Internal Revenue Code for U.S. federal tax purposes. However, this limit may also have the effect of deterring purchases of large blocks of common shares or proposals to acquire us, even if some or a majority of our shareholders might deem these purchases or acquisition proposals to be in their best interests.

In addition, our Bye-Laws provide for:

a classified Board, whose size is fixed and whose members may be removed by the shareholders only for cause upon a 66 2/3% vote;

restrictions on the ability of shareholders to nominate persons to serve as directors, submit resolutions to a shareholder vote and requisition special general meetings;

a large number of authorized but unissued shares which may be issued by the Board without further shareholder action; and

a 66 2/3% shareholder vote to amend, repeal or adopt any provision inconsistent with several provisions of the Bye-Laws. These Bye-Law provisions make it more difficult to acquire control of us by means of a tender offer, open market purchase, proxy contest or otherwise. These provisions are designed to encourage persons seeking to acquire control of us to negotiate with our directors, which we believe would generally best serve the interests of our shareholders. However, these provisions could have the

effect of discouraging a prospective acquirer from making a tender offer or otherwise attempting to obtain control of us. In addition, these

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Bye-Law provisions could prevent the removal of our current board of directors and management. To the extent these provisions discourage takeover attempts, they could deprive shareholders of opportunities to realize takeover premiums for their shares or could depress the market price of the shares.

We indirectly own Stonington, Stonington Lloyds, Newstead and Inverness. Our ownership of a U.S. insurance company such as these can, under applicable state insurance company laws and regulations, delay or impede a change of control of RenaissanceRe. Under applicable state insurance regulations, any proposed purchase of 10% or more of our voting securities would require the prior approval of the relevant insurance regulatory authorities. It is possible that we will form, acquire or invest in other U.S. domestic insurance companies in the future, which could make this risk more severe. Under applicable state insurance regulations, any proposed purchase of 10% or more of our voting securities would require the prior approval of the relevant insurance regulatory authorities.

Investors may have difficulties in serving process or enforcing judgments against us in the U.S.

We are a Bermuda company. In addition, certain of our officers and directors reside in countries outside the U.S. All or a substantial portion of our assets and the assets of these officers and directors are or may be located outside the U.S. Investors may have difficulty effecting service of process within the U.S. on our directors and officers who reside outside the U.S. or recovering against us or these directors and officers on judgments of U.S. courts based on civil liabilities provisions of the U.S. federal securities laws whether or not we appoint an agent in the U.S. to receive service of process.

Developments in the sub-prime mortgage securities market could adversely affect the Company's financial results.

Credit markets and sub-prime residential mortgage markets, particularly in the U.S. but also worldwide, have recently experienced severe dislocations and liquidity disruptions (See Item 1. Business Investments Exposure to Sub-Prime). These and other related events have had a significant impact on the capital markets associated not only with sub-prime mortgage backed securities, asset backed securities and collateralized debt obligations, but also with credit and financial markets as a whole. These developments have the potential to adversely affect the Company, including in the following ways:

Our casualty clash book of business, within the specialty unit of our Reinsurance segment, has exposure to sub-prime losses through the D&O and E&O market, for which our current estimate of these losses at December 31, 2007 is \$60.0 million. It is possible our current reserve is not sufficient to cover our existing exposures, or that new developments will give rise to additional exposures we have not currently identified.

Our surety book of our specialty reinsurance portfolio is also exposed to risks relating to a decrease in home demand, which could lead to delays and defaults in projects, although we currently do not believe we have sub-prime related losses within this book of business.

The Company's investment in ChannelRe has been adversely affected by ChannelRe's direct exposure to sub-prime mortgages in its reinsurance portfolio. ChannelRe has also guaranteed certain collateralized debt obligations that include sub-prime mortgage collateral.

The Company's investment in Aladdin may be adversely affected by Aladdin's direct exposure to sub-prime through credit derivatives and credit protection on fixed income securities. Aladdin's business is to accept exposure to credit markets and thus its results of operations, and our equity pick-up, will fluctuate significantly based on credit markets.

While our investment guidelines and/or standing orders prohibit our fixed income investment managers from investing in securities supported by sub-prime collateral, require that all securitized assets in our portfolio of fixed maturity investments available for sale and short term investments be AAA rated, and prohibit investments in CDOs, CLOs and home equity loans as well fixed income investments where the credit rating is backed by a financial guaranty company, it

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is possible that one or more of our managers has breached our guidelines, or that our guidelines have not been sufficient to mitigate all of the risks that may arise out of the developments arising

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from the sub-prime dislocation. With respect to our hedge fund investments, our hedge fund managers independently direct and control the underlying investments of such funds managers, and it is possible we may be more exposed than we have estimated, or that such exposure may increase in future periods. Within our private equity portfolio we have exposure to sub-prime through underlying portfolio investments, such as financial institutions, which have been impacted by sub-prime, although we estimate that these underlying portfolio investments are immaterial to our private equity portfolio as a whole. While our current positions in sub-prime within our portfolio of fixed maturity investments available for sale is \$nil, and we believe our exposure within our hedge fund and private equity portfolio is limited, we may amend our investment guidelines in future periods and/or may elect to assume exposure to this and other more risky asset classes if we believe we are being paid appropriately to assume this additional risk.

The Company's ability to raise capital or refinance existing credit facilities on favorable terms in the future could be adversely affected by disruptions in the credit and financial markets.

See Business Exposure to Sub-Prime .

Acquisitions or strategic investments that we made or may make could turn out to be unsuccessful.

As part of our strategy, we frequently monitor and analyze opportunities to acquire or make a strategic investment in new or other businesses that will not detract from our core Reinsurance and Individual Risk operations. The negotiation of potential acquisitions or strategic investments as well as the integration of an acquired business or new personnel could result in a substantial diversion of management resources. Acquisitions could involve numerous additional risks such as potential losses from unanticipated litigation or levels of claims and inability to generate sufficient revenue to offset acquisition costs. Any failure by us to effectively limit such risks or implement our acquisitions or strategic investment strategies could have a material adverse effect on our business, financial condition or results of operations.

RISKS RELATED TO OUR INDUSTRY

The reinsurance business is historically cyclical and the pricing and terms for our products may decline, which could affect our profitability.

The reinsurance and insurance industries have historically been cyclical, characterized by periods of decreasing prices followed by periods of increasing prices. Reinsurers have experienced significant fluctuations in their results of operations due to numerous factors, including the frequency and severity of catastrophic events, perceptions of risk, levels of capacity, general economic conditions and underwriting results of other insurers and reinsurers. All of these factors fluctuate and may contribute to price declines generally in the reinsurance and insurance industries. For example, in the past couple of years, recent factors such as the increase of capital in our industry since the 2005 catastrophic events and the Florida legislation described above, have helped create a softening market where pricing has decreased in certain lines and become less attractive.

As noted, changes in the pricing environment may result from changes in the perception of risk following large industry loss events. In particular, the catastrophe-exposed lines in which we are a market leader are affected significantly by volatile and unpredictable developments, including natural and man-made disasters, such as hurricanes, windstorms, earthquakes, floods, fires, explosions, and acts of terrorism, such as hurricane Katrina and the World Trade Center disaster. The occurrence, or nonoccurrence, of catastrophic events, the frequency and severity of which are inherently unpredictable, affects both industry results and consequently prevailing market prices of our products.

We expect premium rates and other terms and conditions of trade to vary in the future. If demand for our products falls or the supply of competing capacity rises, we, due in part to our disciplined approach to underwriting, might expect our growth to be adversely affected, and our profitability could be affected as well. In particular, we might lose existing customers or decline business, which we might not regain when industry conditions improve.

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In addition, a substantial amount of capital has entered the insurance and reinsurance markets both through investments in established companies and through start-up ventures as described above. Hedge funds and investment banks have been increasingly active in the reinsurance market and markets for related risks. Generally, we expect this trend to increase over time. It is possible that such new or alternative capital in or affecting the market could cause further reductions in prices of our products. To the extent that industry pricing of our products does not meet our hurdle rate, we would plan to reduce our future underwriting activities thus resulting in reduced premiums and a reduction in expected earnings.

Heightened scrutiny of issues and practices in the insurance industry may adversely affect our business.

We believe that the SEC, the Office of the Attorney General of the State of New York (the NYAG), the United States Attorney's Office for the Southern District of New York, and other government authorities are continuing to scrutinize and investigate a number of issues and practices within the insurance industry. For example, in 2007, state officials from jurisdictions including Florida, Ohio, Connecticut and Texas initiated new complaints or announced settled actions relating to issues including allegations of bid-rigging, collusion, allocation of customers and other improper conduct. We have not been named in any such action or proceeding. However, it is possible such scrutiny could expand to include us in the future, and it is also possible that these investigations or related regulatory developments will mandate or otherwise give rise to changes in industry practices in a fashion that increases our costs or requires us to alter how we conduct our business.

We cannot predict the ultimate effect that these investigations, and any changes in industry practice, including future legislation or regulations that may become applicable to us, will have on the insurance industry, the regulatory framework, or our business.

Because we frequently assume the credit risk of the brokers with whom we do business throughout our insurance and reinsurance operations, our results of operations could be adversely affected if the credit quality of these brokers is severely impacted by the current investigations in the insurance industry or by changes to broker industry practices.

We operate in a highly competitive environment.

The reinsurance industry is highly competitive. We compete, and will continue to compete, with major U.S. and non-U.S. insurers and property catastrophe reinsurers, including other Bermuda-based reinsurers. Many of our competitors have greater financial, marketing and management resources than we do. Market participants continue to raise and accumulate new capital, thereby strengthening their ability to compete. In addition, alternative sources of competitive capital, including hedge funds and investment banks, are increasing the overall capacity in the industry. Increased capacity levels in our industry generally have led to increased competition, and decreased prices for our products.

We believe that our principal competitors in the property catastrophe reinsurance market include other companies active in the Bermuda market, including Ace, Everest Re, IPC, Partner Re, Transatlantic, Validus and XL along with other relatively new Bermuda reinsurers with whom we compete, such as Allied World, Arch, Axis, Endurance, Montpelier Re and Platinum. We also compete with certain Lloyd's syndicates active in the London market, as well as with a number of other industry participants, such as AIG, Berkshire, Munich Re Group and Swiss Re. As our business evolves over time we expect our competitors to change as well. Following hurricane Katrina in August 2005, a significant number of new reinsurance companies were formed in Bermuda which have resulted in new competition, which may well continue in subsequent periods. There has been substantial new capital contributed to these new Bermuda-based reinsurance enterprises. In addition, we believe existing reinsurance companies raised significant new capital subsequent to hurricane Katrina to rebuild their capital position and to capitalize on new opportunities. Also, hedge funds and investment banks have shown an increasing interest in entering the reinsurance market, either through the formation of reinsurance companies, or through the use of other financial products, such as catastrophe bonds and other cat-linked securities. In addition, we may not be aware of other companies that may be planning to enter the reinsurance market or of existing companies that may be planning to raise additional capital.

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We also continue to experience a degree of competition from alternative products of capital market participants that are intended to compete with reinsurance products and which could impact the demand for traditional catastrophe reinsurance. We believe activity in this sector has recently increased and may continue to increase. We cannot predict what effect any of these developments may have on our businesses.

The businesses in which our Individual Risk unit operates are also highly competitive. Primary insurers compete on the basis of factors including distribution channels, product, price, service and financial strength. Many of our primary insurance competitors are larger and more established than we are and have greater financial resources and consumer recognition. We seek primary insurance pricing that will result in adequate returns on the capital allocated to our primary insurance business. We may lose primary insurance business to competitors offering competitive insurance products at lower prices or on more advantageous terms.

Consolidation in the insurance industry could adversely impact us.

We believe that many insurance industry participants are seeking to consolidate. These consolidated entities may try to use their enhanced market power to negotiate price reductions for our products and services. If competitive pressures reduce our prices, we would expect to write less business. As the insurance industry consolidates, competition for customers will become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expe