RENAISSANCERE HOLDINGS LTD
Form 10-Q
July 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
Q QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 001-14428
RENAISSANCERE HOLDINGS LTD.
(Exact Name Of Registrant As Specified In Its Charter)

Bermuda	98-014-1974
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda
(Address of Principal Executive Offices)
(441) 295-4513
(Registrant's telephone number)

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 Q No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes Q No o

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 Q, Accelerated filer o, Non-accelerated filer o, Smaller reporting company o

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

The number of Common Shares, par value US $1.00 per share, outstanding at July 28, 2014 was 40,520,691.

RENAISSANCERE HOLDINGS LTD.
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NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), 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", "predic "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, fees, reserves, market conditions, risk management and exchange rates. This Form 10-Q also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting 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 inherent uncertainties in our reserving process, particularly as regards to large catastrophic events and longer tail casualty lines, the uncertainties of which we expect to increase as our product and geographical diversity increases over time;
- the frequency and severity of catastrophic and other events which we cover could exceed our estimates and cause losses greater than we expect;
- the risk of the lowering or loss of any of the financial strength, claims paying or enterprise wide risk management ratings of RenaissanceRe Holdings Ltd. ("RenaissanceRe") or of one or more of our subsidiaries or joint ventures or changes in the policies or practices of the rating agencies;
- 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, any of which could cause us to underestimate our exposures and potentially adversely impact our financial results;
- the risk we might be bound to policyholder obligations beyond our underwriting intent, or unable to enforce our own intent in respect of retrocessional arrangements, including in each case due to emerging claims and coverage issues;
- risks due to our increasing reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of our revenue;
- risks relating to deteriorating market conditions, including the risks of decreasing revenues, margins, capital efficiency and returns;
- the risk that our customers may fail to make premium payments due to us, as well as the risk of failures of our reinsurers, brokers or other counterparties to honor their obligations to us, including as regards to large catastrophic events, and also including their obligations to make third party payments for which we might be liable;
- a contention by the Internal Revenue Service that Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), or any of our other Bermuda subsidiaries, is subject to U.S. taxation;

- other risks relating to potential adverse tax developments, including potential changes to the taxation of inter-company or related party transactions, or potential changes to the tax treatment of investors in RenaissanceRe or our joint ventures or other entities we manage;
- risks relating to adverse legislative developments that could reduce the size of the private markets we serve, or impede their future growth, including proposals to shift United States ("U.S.") catastrophe risks to federal mechanisms; similar proposals at the state level in the U.S., including the risk of legislation in Florida to expand the reinsurance coverage offered by the Florida Hurricane Catastrophe Fund ("FHCF") and the insurance policies written by Citizens Property Insurance Corporation ("Citizens"), or failing to implement reforms to reduce such coverage; risks of adverse legislation in relation to U.S. flood insurance or the failure to implement reform legislation; and the risk that new legislation will be enacted in the international markets we serve which might reduce market opportunities in the private sector, weaken our customers or otherwise adversely impact us;
- risks associated with our investment portfolio, including the risk that our investment assets may fail to yield attractive or even positive results; and the risk that investment managers may breach our investment guidelines, or the inability of such guidelines to mitigate investment risks;
- risks associated with implementing our business strategies and initiatives, including risks related to developing or enhancing the operations, controls and other infrastructure necessary in respect of our more recent, new or proposed initiatives, and the risk that we may fail to succeed in our business or financing plans for these initiatives;
- risks that certain of our new or potentially expanding business lines could have a significant negative impact on our financial results or cause significant volatility in our results for any particular period;
- risks associated with potential for loss of services of any one of our key senior officers, the risk that we fail to attract or retain the executives and employees necessary to manage our business, and difficulties associated with the transition of members of our senior management team for new or expanded roles necessary to execute our strategic and tactical plans, including in connection with the senior management transition we announced during the second quarter of 2013;
- risks relating to the inability, or delay, in the claims paying ability of Citizens, FHCF or of private market participants in Florida, particularly following a large windstorm or of multiple smaller storms, which we believe would weaken or destabilize the Florida market and give rise to an unpredictable range of impacts which might be adverse to us, perhaps materially so;
- risks associated with the management of our operations as our product and geographical diversity increases over time, including the potential inability to allocate sufficient resources to our strategic and tactical plans or to address additional industry or regulatory developments and requirements;
- changes in economic conditions, including interest rate, currency, equity and credit conditions which could affect our investment portfolio or declines in our investment returns for other reasons which could reduce our profitability and hinder our ability to pay claims promptly in accordance with our strategy, which risks we believe are currently enhanced in light of the current uncertainty regarding macroeconomic uncertainty and the recent period of relative economic weakness, both globally, particularly in respect of Eurozone countries and companies, and in the U.S.;
- risks associated with highly subjective judgments, such as valuing our more illiquid assets, and determining the impairments taken on our investments, all of which impact our reported financial position and operating results;
- risks associated with our retrocessional reinsurance protection, including the risks that the coverages and protections we seek may become unavailable or only available on unfavorable terms, that the forms of retrocessional protection available in the market on acceptable terms may give rise to more risk in our net portfolio than we find desirable or that we correctly identify, or that we are otherwise unable to cede our own assumed risk to third parties; and the risk that providers of protection do not meet their obligations to us or do not do so on a timely basis;
- risks associated with inflation, which could cause loss costs to increase, and impact the performance of our investment portfolio, thereby adversely impacting our financial position or operating results;
- operational risks, including system or human failures, which risks could result in our incurring material losses;

- risks in connection with our management of capital on behalf of investors in joint ventures or other entities we manage, such as failing to comply with complex laws and regulations relating to the management of such capital or the potential rights of third party investors, which failure could result in our incurring significant liabilities, penalties or other losses;
- risks that we may require additional capital in the future, particularly after a catastrophic event or to support potential growth opportunities in our business, which may not be available or may be available only on unfavorable terms;
- risks relating to our potential failure to comply with covenants in our debt agreements, which failure could provide our lenders the right to accelerate our debt which would adversely impact us;
- the risk of potential challenges to the claim of exemption from insurance regulation of RenaissanceRe and certain of our subsidiaries in certain jurisdictions under certain current laws and the risk of increased global regulation of the insurance and reinsurance industry;
- risks relating to the inability of our operating subsidiaries to declare and pay dividends, which could cause us to be unable to pay dividends to our shareholders or to repay our indebtedness;
- the risk that there could be regulatory 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 relating to operating in a highly competitive environment, which we expect to continue to increase over time from new competition from traditional and non-traditional participants, particularly as capital markets products provide alternatives and replacements for more traditional reinsurance and insurance products, as new entrants or existing competitors attempt to replicate our business model, and as a result of consolidation in the (re)insurance industry;
- risks arising out of possible changes in the distribution or placement of risks due to increased consolidation of customers or insurance and reinsurance brokers; and
- risks relating to changes in regulatory regimes and/or accounting rules, which could result in significant changes to our financial results, including but not limited to, the European Union directive concerning capital adequacy, risk management and regulatory reporting for insurers.

The factors listed above should not be construed as exhaustive. Certain of these risk factors and others are described in more detail from time to time in our filings with the U.S. Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2013. 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.

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Balance Sheets
(in thousands of United States Dollars, except per share amounts)

Assets	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Fixed maturity investments trading, at fair value (Amortized cost $4,754,480 and $4,781,712 at June 30, 2014 and December 31, 2013, respectively)	$4,841,609	$4,809,036
Fixed maturity investments available for sale, at fair value (Amortized cost $25,512 and $30,273 at June 30, 2014 and December 31, 2013, respectively)	29,219	34,241
Short term investments, at fair value	957,698	1,044,779
Equity investments trading, at fair value	254,408	254,776
Other investments, at fair value	513,614	573,264
Investments in other ventures, under equity method	110,354	105,616
Total investments	6,706,902	6,821,712
Cash and cash equivalents	294,457	408,032
Premiums receivable	837,116	474,087
Prepaid reinsurance premiums	267,963	66,132
Reinsurance recoverable	85,115	101,025
Accrued investment income	28,019	34,065
Deferred acquisition costs	140,765	81,684
Receivable for investments sold	58,205	75,845
Other assets	89,076	108,438
Goodwill and other intangible assets	8,007	8,111
Total assets	$8,515,625	$8,179,131
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	$1,552,618	$1,563,730
Unearned premiums	929,523	477,888
Debt	249,476	249,430
Reinsurance balances payable	558,185	293,022
Payable for investments purchased	201,340	193,221
Other liabilities	164,650	397,596
Total liabilities	3,655,792	3,174,887
Commitments and Contingencies		
Redeemable noncontrolling interest	1,023,892	1,099,860
Shareholders' Equity		
Preference shares: $1.00 par value – 16,000,000 shares issued and outstanding at June 30, 2014 (December 31, 2013 – 16,000,000)	400,000	400,000
Common shares: $1.00 par value – 40,522,818 shares issued and outstanding at June 30, 2014 (December 31, 2013 – 43,646,436)	40,523	43,646
Accumulated other comprehensive income	3,918	4,131
Retained earnings	3,391,500	3,456,607
Total shareholders' equity attributable to RenaissanceRe	3,835,941	3,904,384
Total liabilities, noncontrolling interests and shareholders' equity	$8,515,625	$8,179,131

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Operations
For the three and six months ended June 30, 2014 and 2013
(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues				
Gross premiums written	$511,540	$703,223	$1,216,800	$1,338,641
Net premiums written	$346,407	$559,109	$796,754	$995,922
Increase in unearned premiums	(85,991)	(267,220)	(249,804)	(432,778)
Net premiums earned	260,416	291,889	546,950	563,144
Net investment income	34,541	26,163	73,489	69,365
Net foreign exchange gains (losses)	2,392	(932)	1,331	(318)
Equity in earnings of other ventures	7,232	3,772	11,431	9,607
Other loss	(535)	(1,128)	(473)	(2,837)
Net realized and unrealized gains (losses) on investments	27,128	(69,529)	42,055	(55,260)
Total revenues	331,174	250,235	674,783	583,701
Expenses				
Net claims and claim expenses incurred	81,388	103,962	140,303	131,213
Acquisition expenses	33,477	31,767	67,177	56,776
Operational expenses	45,841	42,789	88,465	88,775
Corporate expenses	3,954	21,529	8,499	26,011
Interest expense	4,292	4,300	8,585	9,334
Total expenses	168,952	204,347	313,029	312,109
Income from continuing operations before taxes	162,222	45,888	361,754	271,592
Income tax benefit (expense)	204	(11)	38	(133)
Income from continuing operations	162,426	45,877	361,792	271,459
Income from discontinued operations	—	2,427	—	12,201
Net income	162,426	48,304	361,792	283,660
Net income attributable to noncontrolling interests	(36,078)	(14,015)	(78,846)	(52,622)
Net income attributable to RenaissanceRe	126,348	34,289	282,946	231,038
Dividends on preference shares	(5,596)	(7,483)	(11,191)	(13,758)
Net income available to RenaissanceRe common shareholders	$120,752	$26,806	$271,755	$217,280
Income from continuing operations available to RenaissanceRe common shareholders per common share – basic	$3.00	$0.55	$6.62	$4.65
Income from discontinued operations available to RenaissanceRe common shareholders per common share – basic	—	0.06	—	0.28
Net income available to RenaissanceRe common shareholders per common share – basic	$3.00	$0.61	$6.62	$4.93
Income from continuing operations available to RenaissanceRe common shareholders per common share – diluted	$2.95	$0.55	$6.52	$4.55
Income from discontinued operations available to RenaissanceRe common shareholders per common share – diluted	—	0.05	—	0.28

Net income available to RenaissanceRe common shareholders per common share – diluted	$2.95	$0.60	$6.52	$4.83
Dividends per common share	$0.29	$0.28	$0.58	$0.56

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three and six months ended June 30, 2014 and 2013
(in thousands of United States Dollars) (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Comprehensive income				
Net income	$162,426	$48,304	$361,792	$283,660
Change in net unrealized gains on investments	(45)	(1,141)	(213)	(8,713)
Comprehensive income	162,381	47,163	361,579	274,947
Net income attributable to noncontrolling interests	(36,078)	(14,015)	(78,846)	(52,622)
Comprehensive income attributable to noncontrolling interests	(36,078)	(14,015)	(78,846)	(52,622)
Comprehensive income attributable to RenaissanceRe	$126,303	$33,148	$282,733	$222,325
Disclosure regarding net unrealized gains				
Total realized and net unrealized holding (gains) losses on investments and net other-than-temporary impairments	$(45)	$178	$(213)	$(1,533)
Net realized gains on fixed maturity investments available for sale	—	(1,319)	—	(7,180)
Change in net unrealized gains on investments	$(45)	$(1,141)	$(213)	$(8,713)

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2014 and 2013
(in thousands of United States Dollars) (Unaudited)

	Six months ended June 30,	
	2014	2013
Preference shares		
Balance – January 1	$400,000	$400,000
Issuance of shares	—	275,000
Repurchase of shares	—	(275,000)
Balance – June 30	400,000	400,000
Common shares		
Balance – January 1	43,646	45,542
Repurchase of shares	(3,363)	(1,498)
Exercise of options and issuance of restricted stock awards	240	341
Balance – June 30	40,523	44,385
Additional paid-in capital		
Balance – January 1	—	—
Repurchase of shares	2,139	(2,978)
Offering expenses	—	(9,345)
Change in noncontrolling interests	43	499
Exercise of options and issuance of restricted stock awards	(2,182)	11,824
Balance – June 30	—	—
Accumulated other comprehensive income		
Balance – January 1	4,131	13,622
Change in net unrealized gains on investments	(213)	(8,713)
Balance – June 30	3,918	4,909
Retained earnings		
Balance – January 1	3,456,607	3,043,901
Net income	361,792	283,660
Net income attributable to noncontrolling interests	(78,846)	(52,622)
Repurchase of shares	(313,312)	(117,520)
Dividends on common shares	(23,550)	(24,658)
Dividends on preference shares	(11,191)	(13,758)
Balance – June 30	3,391,500	3,119,003
Noncontrolling interest	—	3,693
Total shareholders' equity	$3,835,941	$3,571,990

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the six months ended June 30, 2014 and 2013
(in thousands of United States Dollars) (Unaudited)

	Six months ended June 30, 2014	2013
Cash flows provided by operating activities		
Net income	$361,792	$283,660
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	15,419	26,721
Equity in undistributed earnings of other ventures	(7,960)	(6,468)
Net realized and unrealized gains on investments	(42,055)	55,273
Net unrealized gains included in net investment income	(8,879)	(10,959)
Net unrealized (gains) losses included in other loss	(2,220)	11,206
Change in:		
Premiums receivable	(363,029)	(462,777)
Prepaid reinsurance premiums	(201,831)	(137,722)
Reinsurance recoverable	15,910	17,409
Deferred acquisition costs	(59,081)	(73,060)
Reserve for claims and claim expenses	(11,112)	(168,969)
Unearned premiums	451,635	570,500
Reinsurance balances payable	265,163	97,006
Other	(240,366)	(24,401)
Net cash provided by operating activities	173,386	177,419
Cash flows provided by investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	4,020,174	4,448,449
Purchases of fixed maturity investments trading	(3,970,317)	(4,225,188)
Proceeds from sales and maturities of fixed maturity investments available for sale	5,114	41,338
Net purchases of equity investments trading	(11,146)	(35,958)
Net sales (purchases) of short term investments	89,549	(110,562)
Net sales of other investments	68,684	42,935
Net sales (purchases) of investments in other ventures	1,030	(2,500)
Net sales of other assets	6,000	598
Net cash provided by investing activities	209,088	159,112
Cash flows used in financing activities		
Dividends paid – RenaissanceRe common shares	(23,550)	(24,658)
Dividends paid – preference shares	(11,191)	(13,758)
RenaissanceRe common share repurchases	(314,536)	(121,996)
Net repayment of debt	—	(101,410)
Redemption of 6.08% Series C preference shares	—	(125,000)
Redemption of 6.60% Series D preference shares	—	(150,000)
Issuance of 5.375% Series E preference shares, net of expenses	—	265,655
Net third party redeemable noncontrolling interest share transactions	(144,096)	(105,633)
Net cash used in financing activities	(493,373)	(376,800)
Effect of exchange rate changes on foreign currency cash	(2,676)	505
Net (decrease) increase in cash and cash equivalents	(113,575)	(39,764)
Net increase in cash and cash equivalents of discontinued operations	—	(29,475)
Cash and cash equivalents, beginning of period	408,032	304,145
Cash and cash equivalents, end of period	$294,457	$234,906

See accompanying notes to the consolidated financial statements

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014
(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages) (Unaudited)

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K ("Form 10-K") for the fiscal year ended December 31, 2013.

RenaissanceRe Holdings Ltd. ("RenaissanceRe") was formed under the laws of Bermuda on June 7, 1993. Together with its wholly owned and majority-owned subsidiaries and DaVinciRe (as defined below), which are collectively referred to herein as the "Company", RenaissanceRe provides reinsurance and insurance coverages and related services to a broad range of customers.

- Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), the Company's principal reinsurance subsidiary, provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.
- The Company also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, which principally include Top Layer Reinsurance Ltd. ("Top Layer Re"), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. ("DaVinci"). Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of DaVinci's parent, DaVinciRe Holdings Ltd. ("DaVinciRe"), the results of DaVinci and DaVinciRe are consolidated in the Company's financial statements. Redeemable noncontrolling interest - DaVinciRe represents the interests of external parties with respect to the net income and shareholders' equity of DaVinciRe. Renaissance Underwriting Managers, Ltd. ("RUM"), a wholly owned subsidiary, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.
- RenaissanceRe Syndicate 1458 ("Syndicate 1458") is the Company's Lloyd's syndicate. RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458's sole corporate member and RenaissanceRe Syndicate Management Ltd. ("RSML"), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.
- RenaissanceRe Specialty Risks Ltd. ("RenaissanceRe Specialty Risks"), is a Bermuda-domiciled reinsurance and excess and surplus lines insurance company that is listed on the National Association of Insurance Commissioners' International Insurance Department's Quarterly List of Alien Insurers as an eligible surplus lines insurer. RenaissanceRe Underwriting Managers U.S. LLC ("RenaissanceRe Underwriting Managers U.S."), a specialty reinsurance agency domiciled in Connecticut, provides specialty treaty reinsurance solutions on both a quota share and excess of loss basis; and writes business on behalf of RenaissanceRe Specialty U.S. Ltd. ("RenaissanceRe Specialty U.S."), a Bermuda-domiciled reinsurer launched in June 2013 which operates subject to U.S. federal income tax, and Syndicate 1458.
- Effective January 1, 2013, the Company formed and launched a managed joint venture, Upsilon Reinsurance II Ltd. ("Upsilon Re II"), a Bermuda domiciled special purpose insurer ("SPI"), to provide additional capacity to the worldwide aggregate and per-occurrence primary and retrocessional property catastrophe excess of loss market. Effective December 11, 2013, Upsilon Re II was renamed Upsilon Reinsurance Fund Opportunities Ltd. ("Upsilon RFO"). Upsilon RFO is considered a variable interest entity ("VIE") and the Company is considered the primary beneficiary. As a result, Upsilon RFO is consolidated by the Company and all significant inter-company transactions have been eliminated.
- RenaissanceRe Medici Fund Ltd. ("Medici") is an exempted fund, incorporated under the laws of Bermuda. Medici's objective is to seek to invest substantially all of its assets in various insurance-based investment instruments that have returns primarily tied to property catastrophe risk. During 2013, third-party investors subscribed for a portion of the participating, non-voting common shares of

Medici. Because the Company owns a noncontrolling equity interest in, but controls all of the outstanding voting power of Medici, the results of Medici are consolidated in the Company's financial statements. Redeemable noncontrolling interest - Medici represents the interests of external parties with respect to the net income and shareholders' equity of Medici.

- On August 30, 2013, RenaissanceRe entered into a purchase agreement with a subsidiary of Munich-American Holding Corporation (together with applicable affiliates, "Munich") to sell the Company's U.S.-based weather and weather-related energy risk management unit, which principally included RenRe Commodity Advisors LLC ("RRCA"), Renaissance Trading Ltd. ("Renaissance Trading") and RenRe Energy Advisors Ltd. (collectively referred to as "REAL"). REAL offered certain derivative-based risk management products primarily to address weather and energy risk and engaged in hedging and trading activities related to those transactions. On October 1, 2013, RenaissanceRe closed the sale of REAL to Munich. In the third quarter of 2013, the Company classified the assets and liabilities associated with this transaction as held for sale. The financial results for these operations have been presented in the Company's consolidated financial statements as "discontinued operations" for all periods presented. Refer to "Note 3. Discontinued Operations", for more information.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies as described in its Form 10-K for the year ended December 31, 2013, except as noted below.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. Except as discussed in "Note 3. Discontinued Operations," and unless otherwise noted, the notes to the consolidated financial statements reflect the Company's continuing operations.

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

USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives; impairment charges and the Company's deferred tax valuation allowance.

DISCONTINUED OPERATIONS

The results of operations of REAL, which has been sold to an unaffiliated third party, is classified as held for sale and reported as discontinued operations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic Discontinued Operations. The consolidated financial statements and notes thereto are presented excluding the operations and cash flows of the discontinued operations from the continuing operations of the Company since the Company will not have any significant continuing involvement in the operations after the sale. The financial position and results of operations of discontinued operations are presented as single line items on the consolidated balance sheets and statements of operations, respectively. Certain prior year comparatives have been reclassified to conform to the current year presentation.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU 2013-11”). The objective of ASU 2013-11 is to improve the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 seeks to reduce the diversity in practice by providing guidance on the presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. ASU 2013-11 became effective for annual and interim reporting periods beginning after December 15, 2013. The Company prospectively adopted ASU 2013-11 effective January 1, 2014 and the adoption of this guidance did not have a material impact on the Company’s consolidated statements of operations and financial position.

Financial Services - Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements

In June 2013, the FASB issued ASU No. 2013-08, Amendments to the Scope, Measurement, and Disclosure Requirements (“ASU 2013-08”). The objective of ASU 2013-08 is to change the approach to the investment company assessment, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. In addition, ASU 2013-08 will require an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting and require the following additional disclosures: (a) the fact that the entity is an investment company and is applying the guidance, (b) information about changes, if any, in an entity’s status as an investment company, and (c) information about financial support provided or contractually required to be provided by an investment company to any of its investees. ASU 2013-08 became effective for annual and interim reporting periods beginning after December 15, 2013. The Company prospectively adopted ASU 2013-08 effective January 1, 2014 and the adoption of this guidance did not have a material impact on the Company’s consolidated statements of operations and financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). The objective of ASU 2014-08 is to improve the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. ASU 2014-08 will also require expanded disclosures for discontinued operations and require an entity to disclose the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. ASU 2014-08 is prospectively effective for public business entities in annual periods beginning on or after December 15, 2014, and interim periods beginning on or after December 15, 2015. Entities may early adopt ASU 2014-08 for new disposals that have not been reported in the consolidated financial statements previously issued or available for issuance. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s consolidated statements of operations and financial position.

NOTE 3. DISCONTINUED OPERATIONS

REAL

On August 30, 2013, RenaissanceRe entered into a purchase agreement with Munich to sell REAL and, on October 1, 2013, RenaissanceRe closed the sale of REAL to Munich. In the third quarter of 2013, the Company classified the assets and liabilities associated with this transaction as held for sale and the financial results are reflected in the Company's consolidated financial statements as "discontinued operations." Consideration for the transaction was $60.0 million, paid in cash at closing, subject to post-closing adjustments for certain tax and other items. The Company recorded a loss on sale of $8.8 million in the third quarter of 2013 in conjunction with the sale, including related direct expenses.

Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to the Company's continuing operations. All prior periods presented have been reclassified to conform to this form of presentation.

The Company did not have any assets, liabilities or shareholder's equity of discontinued operations held for sale related to REAL at June 30, 2014 or December 31, 2013.

Details of the income from discontinued operations for the three and six months ended June 30, 2014 and 2013 are as follows and relate entirely to REAL:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues				
Net investment income	$—	$1,161	$—	$1,153
Net foreign exchange (losses) gains	—	(153)	—	989
Other income	—	1,759	—	10,472
Net realized and unrealized losses on investments	—	(15)	—	(13)
Total revenues	—	2,752	—	12,601
Expenses				
Operational expenses	—	31	—	59
Corporate expenses	—	59	—	106
Total expenses	—	90	—	165
Income before taxes	—	2,662	—	12,436
Income tax expense	—	(236)	—	(236)
Income from discontinued operations	$—	$2,426	$—	$12,200

NOTE 4. INVESTMENTS

Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

	June 30, 2014	December 31, 2013
U.S. treasuries	$1,706,929	$1,352,413
Agencies	121,650	186,050
Non-U.S. government (Sovereign debt)	271,495	334,580
Non-U.S. government-backed corporate	163,911	237,479
Corporate	1,580,038	1,803,415
Agency mortgage-backed	321,629	336,661
Non-agency mortgage-backed	252,530	243,795
Commercial mortgage-backed	392,085	303,214
Asset-backed	31,342	11,429
Total fixed maturity investments trading	$4,841,609	$4,809,036

Fixed Maturity Investments Available For Sale

The following table summarizes the amortized cost, fair value and related unrealized gains and losses and non-credit other-than-temporary impairments of fixed maturity investments available for sale:

		Included in Accumulated Other Comprehensive Income			
June 30, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Agency mortgage-backed	$4,279	$396	$—	$4,675	$—
Non-agency mortgage-backed	10,509	2,304	(3)	12,810	(698)
Commercial mortgage-backed	7,373	830	—	8,203	—
Asset-backed	3,351	180	—	3,531	—
Total fixed maturity investments available for sale	$25,512	$3,710	$(3)	$29,219	$(698)

		Included in Accumulated Other Comprehensive Income			
December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Agency mortgage-backed	$4,880	$378	$(11)	$5,247	$—
Non-agency mortgage-backed	11,735	2,414	(6)	14,143	(742)
Commercial mortgage-backed	10,052	970	—	11,022	—
Asset-backed	3,606	223	—	3,829	—
Total fixed maturity investments available for sale	$30,273	$3,985	$(17)	$34,241	$(742)

(1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

Contractual maturities of fixed maturity investments are as follows. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Trading		Available for Sale		Total Fixed Maturity Investments	
June 30, 2014	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$100,250	$100,765	$—	$—	$100,250	$100,765
Due after one through five years	3,057,740	3,080,879	—	—	3,057,740	3,080,879
Due after five through ten years	520,699	529,811	—	—	520,699	529,811
Due after ten years	102,944	132,568	—	—	102,944	132,568
Mortgage-backed	943,257	966,244	22,161	25,688	965,418	991,932
Asset-backed	29,590	31,342	3,351	3,531	32,941	34,873
Total	$4,754,480	$4,841,609	$25,512	$29,219	$4,779,992	$4,870,828

Equity Investments Trading

The following table summarizes the fair value of equity investments trading:

	June 30, 2014	December 31, 2013
Financials	$153,099	$152,905
Industrial, utilities and energy	32,127	25,350
Communications and technology	31,245	4,300
Consumer	18,302	44,115
Healthcare	15,609	15,340
Basic materials	4,026	12,766
Total	$254,408	$254,776

Pledged Investments

At June 30, 2014, $2,036.3 million of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company’s syndicated letter of credit facility and bilateral letter of credit facility (December 31, 2013 - $2,081.1 million). Of this amount, $673.9 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities (December 31, 2013 - $652.8 million).

Reverse Repurchase Agreements

At June 30, 2014, the Company held $35.9 million (December 31, 2013 - $37.3 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company’s consolidated balance sheets. The required collateral for these loans typically include high-quality, readily marketable instruments at a minimum rate of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income, Net Realized and Unrealized Gains on Investments and Net Other-Than-Temporary Impairments

The components of net investment income are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Fixed maturity investments	$26,372	$22,839	$50,232	$46,725
Short term investments	286	426	476	755
Equity investments	779	344	1,575	344
Other investments				
Hedge funds and private equity investments	8,340	2,237	20,657	17,117
Other	1,483	3,144	6,011	10,139
Cash and cash equivalents	93	9	184	61
	37,353	28,999	79,135	75,141
Investment expenses	(2,812)	(2,836)	(5,646)	(5,776)
Net investment income	$34,541	$26,163	$73,489	$69,365

The following table provides an analysis of the components of net realized and unrealized gains on investments.

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Gross realized gains	$12,166	$17,548	$25,633	$51,624
Gross realized losses	(2,587)	(14,601)	(8,151)	(19,155)
Net realized gains on fixed maturity investments	9,579	2,947	17,482	32,469
Net unrealized gains (losses) on fixed maturity investments trading	29,918	(95,680)	57,800	(118,743)
Net realized and unrealized (losses) gains on investments-related derivatives	(6,884)	20,510	(17,783)	20,931
Net realized gains on equity investments trading	5,134	74	5,055	17,635
Net unrealized (losses) gains on equity investments trading	(10,619)	2,620	(20,499)	(7,552)
Net realized and unrealized gains on investments	$27,128	$(69,529)	$42,055	$(55,260)

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The following tables provide an analysis of the components of other comprehensive income and reclassifications out of accumulated other comprehensive income.

	Three months ended June 30, 2014		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	$160	$3,803	$3,963
Other comprehensive income (loss) before reclassifications	51	(96)	(45)
Ending balance	$211	$3,707	$3,918

	Six months ended June 30, 2014		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	$163	$3,968	$4,131
Other comprehensive income (loss) before reclassifications	48	(261)	(213)
Ending balance	$211	$3,707	$3,918

	Three months ended June 30, 2013		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	$120	$5,930	$6,050
Other comprehensive income before reclassifications	98	80	178
Amounts reclassified from accumulated other comprehensive income by statement of operations line item:			
Realized gains reclassified from accumulated other comprehensive income to net realized and unrealized gains (losses) on investments	—	(1,319)	(1,319)
Net current-period other comprehensive loss	98	(1,239)	(1,141)
Ending balance	$218	$4,691	$4,909

	Six months ended June 30, 2013		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	$1,625	$11,997	$13,622
Other comprehensive loss before reclassifications	(1,407)		