

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 , pote 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		