

RENAISSANCERE HOLDINGS LTD

Form 10-Q

November 03, 2011

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

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from            to

Commission File No. 001-14428

**RENAISSANCERE HOLDINGS LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**  
(State or Other Jurisdiction of

**98-014-1974**  
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

**Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda**

(Address of principal executive offices)

**(441) 295-4513**

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. Large accelerated filer , Accelerated filer , Non-accelerated filer , Smaller reporting company .

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

The number of outstanding shares of RenaissanceRe Holdings Ltd. s common shares, par value US \$1.00 per share, as of October 27, 2011 was 51,786,700.

Total number of pages in this report: 106

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**RenaissanceRe Holdings Ltd.**

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

(in thousands of United States Dollars)

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
	(Unaudited)	(Audited)
<b>Assets</b>		
Fixed maturity investments trading, at fair value (Amortized cost \$3,671,728 and \$3,859,442 at September 30, 2011 and December 31, 2010, respectively)	\$ 3,687,669	\$ 3,871,780
Fixed maturity investments available for sale, at fair value (Amortized cost \$139,283 and \$225,549 at September 30, 2011 and December 31, 2010, respectively)	149,969	244,917
Short term investments, at fair value	1,557,937	1,110,364
Equity investments trading, at fair value (Cost \$47,996 at September 30, 2011)	45,607	
Other investments, at fair value	736,757	787,548
Investments in other ventures, under equity method	78,071	85,603
<b>Total investments</b>	<b>6,256,010</b>	<b>6,100,212</b>
Cash and cash equivalents	235,058	277,738
Premiums receivable	695,163	322,080
Prepaid reinsurance premiums	164,547	60,643
Reinsurance recoverable	434,553	101,711
Accrued investment income	34,237	34,560
Deferred acquisition costs	71,225	35,648
Receivable for investments sold	33,791	99,226
Other secured assets		14,250
Other assets	176,114	205,373
Goodwill and other intangibles	14,230	14,690
Assets of discontinued operations held for sale	2,481	872,147
<b>Total assets</b>	<b>\$ 8,117,409</b>	<b>\$ 8,138,278</b>
<b>Liabilities, Noncontrolling Interests and Shareholders Equity</b>		
<b>Liabilities</b>		
Reserve for claims and claim expenses	\$ 2,226,005	\$ 1,257,843
Unearned premiums	623,596	286,183
Debt	349,224	549,155
Reinsurance balances payable	317,627	318,024
Payable for investments purchased	233,282	195,383
Other secured liabilities		14,000
Other liabilities	174,424	222,310
Liabilities of discontinued operations held for sale	9,098	598,511
<b>Total liabilities</b>	<b>3,933,256</b>	<b>3,441,409</b>

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Commitments and Contingencies

Redeemable noncontrolling interest - DaVinciRe	633,112	757,655
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**Shareholders Equity**

Preference shares	550,000	550,000
Common shares	51,787	54,110
Additional paid-in capital	9,331	
Accumulated other comprehensive income	11,092	19,823
Retained earnings	2,925,604	3,312,392

<i>Total shareholders equity attributable to RenaissanceRe</i>	3,547,814	3,936,325
Noncontrolling interest	3,227	2,889

<i>Total shareholders equity</i>	3,551,041	3,939,214
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<i>Total liabilities, noncontrolling interest and shareholders equity</i>	\$ 8,117,409	\$ 8,138,278
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*See accompanying notes to the consolidated financial statements*

**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Operations****For the three and nine months ended September 30, 2011 and 2010**

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

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Revenues</b>				
Gross premiums written	\$ 139,938	\$ 111,543	\$ 1,392,006	\$ 1,134,094
Net premiums written	\$ 103,010	\$ 82,307	\$ 983,580	\$ 818,800
Decrease (increase) in unearned premiums	126,214	130,048	(231,640)	(143,621)
Net premiums earned	229,224	212,355	751,940	675,179
Net investment (loss) income	(27,940)	59,570	65,669	151,452
Net foreign exchange losses	(2,650)	(529)	(6,511)	(12,480)
Equity in earnings (losses) of other ventures	4,794	(6,740)	(13,831)	(1,424)
Other (loss) income	(2,015)	25,021	42,963	15,088
Net realized and unrealized gains on investments	16,983	92,342	46,748	210,593
Total other-than-temporary impairments	(498)		(498)	(831)
Portion recognized in other comprehensive income, before taxes	49		49	2
Net other-than-temporary impairments	(449)		(449)	(829)
<b>Total revenues</b>	217,947	382,019	886,529	1,037,579
<b>Expenses</b>				
Net claims and claim expenses incurred	77,830	77,936	857,628	156,473
Acquisition expenses	26,057	26,143	72,275	76,158
Operational expenses	42,169	36,970	126,298	120,160
Corporate expenses	3,582	5,590	9,657	15,392
Interest expense	5,722	6,164	17,647	15,526
<b>Total expenses</b>	155,360	152,803	1,083,505	383,709
Income (loss) from continuing operations before taxes	62,587	229,216	(196,976)	653,870
Income tax benefit	1,435	2,399	3,260	6,320
<b>Income (loss) from continuing operations</b>	64,022	231,615	(193,716)	660,190
(Loss) income from discontinued operations	(965)	21,234	(12,585)	51,562

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<i>Net income (loss)</i>	63,057	252,849	(206,301)	711,752
Net (income) loss attributable to noncontrolling interests	(5,044)	(37,524)	58,545	(99,989)
<i>Net income (loss) attributable to RenaissanceRe</i>	58,013	215,325	(147,756)	611,763
Dividends on preference shares	(8,750)	(10,575)	(26,250)	(31,725)
<i>Net income (loss) available (attributable) to RenaissanceRe common shareholders</i>	\$ 49,263	\$ 204,750	\$ (174,006)	\$ 580,038
Income (loss) from continuing operations available (attributable) to RenaissanceRe common shareholders per common share - basic	\$ 0.98	\$ 3.33	\$ (3.19)	\$ 9.21
(Loss) income from discontinued operations (attributable) available to RenaissanceRe common shareholders per common share - basic	(0.02)	0.40	(0.25)	0.92
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share - basic	\$ 0.96	\$ 3.73	\$ (3.44)	\$ 10.13
Income (loss) from continuing operations available (attributable) to RenaissanceRe common shareholders per common share - diluted (1)	\$ 0.97	\$ 3.31	\$ (3.19)	\$ 9.12
(Loss) income from discontinued operations (attributable) available to RenaissanceRe common shareholders per common share - diluted (1)	(0.02)	0.39	(0.25)	0.92
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share - diluted (1)	\$ 0.95	\$ 3.70	\$ (3.44)	\$ 10.04
Dividends per common share	\$ 0.26	\$ 0.25	\$ 0.78	\$ 0.75

(1) Earnings per share calculations use average common shares outstanding - basic, when in a net loss position, as required by FASB ASC Topic *Earnings per Share*.

*See accompanying notes to the consolidated financial statements*

**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****For the nine months ended September 30, 2011 and 2010**

(in thousands of United States Dollars)

(Unaudited)

	Nine months ended	
	September 30, 2011	September 30, 2010
<b>Preference shares</b>		
Balance - January 1	\$ 550,000	\$ 650,000
Balance - September 30	550,000	650,000
<b>Common shares</b>		
Balance - January 1	54,110	61,745
Repurchase of shares	(2,655)	(7,417)
Exercise of options and issuance of restricted stock and awards	332	547
Balance - September 30	51,787	54,875
<b>Additional paid-in capital</b>		
Balance - January 1		
Repurchase of shares	546	(17,979)
Change in redeemable noncontrolling interest - DaVinciRe	(305)	5,009
Exercise of options and issuance of restricted stock and awards	9,090	18,810
Balance - September 30	9,331	5,840
<b>Accumulated other comprehensive income</b>		
Balance - January 1	19,823	41,438
Change in net unrealized gains on fixed maturity investments available for sale	(8,682)	(17,662)
Portion of other-than-temporary impairments recognized in other comprehensive income	(49)	(2)
Balance - September 30	11,092	23,774
<b>Retained earnings</b>		
Balance - January 1	3,312,392	3,087,603
Net (loss) income	(206,301)	711,752
Net loss (income) attributable to noncontrolling interests	58,545	(99,989)
Repurchase of shares	(172,683)	(385,939)
Dividends on common shares	(40,099)	(42,381)
Dividends on preference shares	(26,250)	(31,725)

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Balance - September 30	2,925,604	3,239,321
Noncontrolling interest	3,227	
<b>Total shareholders equity</b>	<b>\$ 3,551,041</b>	<b>\$ 3,973,810</b>

*See accompanying notes to the consolidated financial statements*

**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Comprehensive Income (Loss)****For the three and nine months ended September 30, 2011 and 2010**

(in thousands of United States Dollars)

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
<b>Comprehensive income (loss)</b>				
Net income (loss)	\$ 63,057	\$ 252,849	\$ (206,301)	\$ 711,752
Change in net unrealized gains on fixed maturity investments available for sale	(6,890)	(1,979)	(8,688)	(21,086)
Portion of other-than-temporary impairments recognized in other comprehensive income	(49)		(49)	(2)
<b>Comprehensive income (loss)</b>	<b>56,118</b>	<b>250,870</b>	<b>(215,038)</b>	<b>690,664</b>
Net (income) loss attributable to noncontrolling interests	(5,044)	(37,524)	58,545	(99,989)
Change in net unrealized gains on fixed maturity investments available for sale attributable to noncontrolling interests		3,600	6	3,424
Comprehensive (income) loss attributable to redeemable noncontrolling interest - DaVinciRe	(5,044)	(33,924)	58,551	(96,565)
<b>Comprehensive income (loss) attributable to RenaissanceRe</b>	<b>\$ 51,074</b>	<b>\$ 216,946</b>	<b>\$ (156,487)</b>	<b>\$ 594,099</b>
<b>Disclosure regarding net unrealized gains</b>				
Total realized and net unrealized holding (losses) gains on fixed maturity investments available for sale and net other-than-temporary impairments	\$ (4,320)	\$ 16,731	\$ (3,418)	\$ 58,347
Net realized gains on fixed maturity investments available for sale	(3,019)	(15,110)	(5,713)	(76,838)
Net other-than-temporary impairments recognized in earnings	449		449	829
Change in net unrealized gains on fixed maturity investments available for sale	\$ (6,890)	\$ 1,621	\$ (8,682)	\$ (17,662)

*See accompanying notes to the consolidated financial statements*

**Table of Contents****RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Cash Flows****For the nine months ended September 30, 2011 and 2010**

(in thousands of United States dollars)

(Unaudited)

	Nine months ended	
	September 30, 2011	September 30, 2010
<b><i>Cash flows provided by operating activities</i></b>		
Net (loss) income	\$ (206,301)	\$ 711,752
<b><i>Adjustments to reconcile net (loss) income to net cash provided by operating activities</i></b>		
Amortization, accretion and depreciation	27,040	40,026
Equity in undistributed losses of other ventures	14,552	14,956
Net realized and unrealized gains on fixed maturity investments	(46,748)	(217,715)
Net other-than-temporary impairments	449	829
Net unrealized gains included in net investment (loss) income	(16,018)	(21,005)
Net unrealized losses included in other (loss) income	1,542	18,856
Change in:		
Premiums receivable	(373,083)	(173,722)
Prepaid reinsurance premiums	(103,904)	(86,420)
Reinsurance recoverable	(332,842)	(6,678)
Deferred acquisition costs	(35,577)	(18,436)
Reserve for claims and claim expenses	968,162	4,333
Unearned premiums	337,413	244,022
Reinsurance balances payable	(397)	(17,057)
Other	(39,802)	2,700
<b><i>Net cash provided by operating activities</i></b>	<b>194,486</b>	<b>496,441</b>
<b><i>Cash flows provided by (used in) investing activities</i></b>		
Proceeds from sales and maturities of fixed maturity investments trading	4,771,628	5,418,604
Purchases of fixed maturity investments trading	(4,353,649)	(8,939,654)
Proceeds from sales and maturities of fixed maturity investments available for sale	97,302	3,666,224
Purchases of fixed maturity investments available for sale	(4,092)	(402,524)
Purchases of equity investments trading	(47,996)	
Net (purchases) sales of short term investments	(535,055)	117,519
Net sales of other investments	26,878	86,049
Net (purchases) sales of investments in other ventures	(21,000)	13,835
Net sales of other assets	58,568	2,730
Net proceeds from sale of discontinued operations held for sale	269,520	
<b><i>Net cash provided by (used in) investing activities</i></b>	<b>262,104</b>	<b>(37,217)</b>
<b><i>Cash flows used in financing activities</i></b>		

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Dividends paid - RenaissanceRe common shares	(40,099)	(42,381)
Dividends paid - preference shares	(26,250)	(31,725)
RenaissanceRe common share repurchases	(174,792)	(411,335)
Third party DaVinciRe share transactions	(59,357)	(131,370)
Net repayment of debt	(200,000)	
Issuance of 5.75% Senior Notes		249,046
<b><i>Net cash used in financing activities</i></b>	<b>(500,498)</b>	<b>(367,765)</b>
Effect of exchange rate changes on foreign currency cash	1,228	(400)
<b><i>Net (decrease) increase in cash and cash equivalents</i></b>	<b>(42,680)</b>	<b>91,059</b>
<b><i>Net increase in cash and cash equivalents of discontinued operations</i></b>		<b>(46,051)</b>
<b><i>Cash and cash equivalents, beginning of period</i></b>	<b>277,738</b>	<b>203,112</b>
<b><i>Cash and cash equivalents, end of period</i></b>	<b>\$ 235,058</b>	<b>\$ 248,120</b>

*See accompanying notes to the consolidated financial statements*

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**RenaissanceRe Holdings Ltd. and Subsidiaries**

**Notes to Unaudited Consolidated Financial Statements**

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

**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION**

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

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

This report on Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

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

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

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

RenaissanceRe Syndicate 1458 ( Syndicate 1458 ) is the Company s Lloyd s syndicate which was licensed to start writing certain lines of insurance and reinsurance business effective June 1, 2009. RenaissanceRe Corporate Capital (UK) Limited ( RenaissanceRe CCL ), a wholly owned subsidiary of the Company, is Syndicate 1458 s sole corporate member and RenaissanceRe Syndicate Management Ltd. ( RSML ), a wholly owned subsidiary of the Company from November 2, 2009, is the managing agent for Syndicate 1458.



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The Company, through Renaissance Trading Ltd. ( Renaissance Trading ) and RenRe Energy Advisors Ltd. ( REAL ), transacts certain derivative-based risk management products primarily to address weather and energy risk and engages in hedging and trading activities related to those transactions.

On November 18, 2010, the Company entered into a definitive stock purchase agreement (the Stock Purchase Agreement ) with QBE Holdings, Inc. ( QBE ) to sell substantially all of its U.S.-based insurance operations including its U.S. property and casualty business underwritten through managing general agents, its crop insurance business underwritten through Agro National Inc. ( Agro National ), its commercial property insurance operations and its claims operations. At December 31, 2010, the Company classified the assets and liabilities associated with this transaction as held for sale. The financial results for these operations have been presented in the Company s consolidated financial statements as discontinued operations for all periods presented. On March 4, 2011, the Company and QBE closed the transaction contemplated by the Stock Purchase Agreement. Refer to Note 3. Discontinued Operations, for more information. Insurance policies previously written in connection with the Company s Bermuda-based insurance operations not sold to QBE are included in the Company s continuing operations and are included in the Company s Insurance segment.

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

There have been no changes to our significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2010.

**RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

*Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*

In October 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* ( ASU 2010-26 ), which amends FASB Accounting Standards Codification ( ASC ) Topic *Financial Services Insurance*. ASU 2010-26 modifies the definition of the types of costs that can be capitalized in relation to the acquisition of new and renewal insurance contracts. The amended guidance requires costs to be incremental or directly related to the successful acquisition of new or renewal contracts in order to be capitalized as a deferred acquisition cost. Capitalized costs would include incremental direct costs, such as commissions paid to brokers. Additionally, the portion of employee salaries and benefits directly related to time spent for acquired contracts would be capitalized. Costs that fall outside the revised definition must be expensed when incurred. ASU 2010-26 will be effective for fiscal periods beginning on or after December 15, 2011 with prospective or retroactive application permitted. The Company is currently evaluating the potential impacts of the adoption of ASU 2010-26, but does not currently expect this standard to have a material impact on its consolidated statements of operations and financial condition.

*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ( ASU 2011-04 ), which amends FASB ASC Topic *Fair Value Measurement*. ASU 2011-04 was issued to provide largely identical guidance about fair value measurement and disclosure requirements with the International Accounting Standards Board s new International Financial Reporting Standards ( IFRS ) 13, *Fair Value Measurement*. ASU 2011-04 does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it is already required or permitted under GAAP and requires enhanced disclosures covering all transfers between Levels 1 and 2 of the fair value hierarchy. Additional disclosures covering Level 3 assets are also required. ASU 2011-04 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is not permitted. The Company is currently evaluating the potential impacts of the adoption of ASU 2011-04, but does not currently expect this standard to have a material impact on its consolidated statements of operations and financial condition.

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*Presentation of Comprehensive Income*

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ( ASU 2011-05 ), which amends FASB ASC Topic *Comprehensive Income*. ASU 2011-05 increases the prominence of items reported in other comprehensive income and eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity. ASU 2011-05 requires that all non-owner changes in shareholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with retroactive application required. The Company is currently evaluating the potential impacts of the adoption of ASU 2011-05, but does not currently expect this standard to have a material impact on its consolidated statements of operations, consolidated statements of comprehensive income, or its financial condition.

**NOTE 3. DISCONTINUED OPERATIONS**

*U.S.-Based Insurance Operations*

On November 18, 2010, the Company entered into a Stock Purchase Agreement with QBE to sell substantially all of its U.S.-based insurance operations, including its U.S. property and casualty business underwritten through managing general agents, its crop insurance business underwritten through Agro National, its commercial property insurance operations and its claims operations. At December 31, 2010, the Company classified the assets and liabilities associated with this transaction as held for sale and the assets and liabilities were recorded at the lower of the carrying value or fair value less costs to sell. The financial results for these operations have been presented as discontinued operations in the Company's consolidated statements of operations for all periods presented.

Consideration for the transaction was book value at December 31, 2010, for the aforementioned businesses, payable in cash at closing and subject to adjustment for certain tax and other items. The transaction closed on March 4, 2011 and net consideration of \$269.5 million was received by the Company.

Pursuant to the Stock Purchase Agreement, the Company is subject to a post-closing review following December 31, 2011 of the net reserve for claims and claim expenses for loss events occurring on or prior to December 31, 2010 (the Reserve Collar). Subsequent to the post-closing review, the Company is liable to pay, or otherwise reimburse QBE amounts up to \$10.0 million for net adverse development on prior accident years net claims and claim expenses. Conversely, if prior accident years net claims and claim expenses experience net favorable development, QBE is liable to pay, or otherwise reimburse the Company amounts up to \$10.0 million.

During the three months ended June 30, 2011, the Company recognized a \$10.0 million liability and corresponding expense related to the Reserve Collar. The \$10.0 million represents the maximum amount payable under the Reserve Collar. No adjustments to the amount payable under the Reserve Collar were made during the three months ended September 30, 2011. The Company will continue to evaluate any favorable or adverse developments relating to the Reserve Collar quarterly pursuant to the terms of the Stock Purchase Agreement with QBE.

**NOTE 4. CEDED REINSURANCE**

The Company purchases reinsurance and other protection to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for recoveries of additional premiums, reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to other reinsurance contracts. The Company remains liable to the extent that any reinsurance company fails to meet its obligations.

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The following tables set forth the effect of reinsurance and retrocessional activity on premiums written and earned and on net claims and claim expenses incurred:

Three months ended September 30, (in thousands of U.S. dollars)	0000000000 2011	0000000000 2010
<b><u>Premiums written</u></b>		
Direct	\$ 6,423	\$ 1,466
Assumed	133,515	110,077
Ceded	(36,928)	(29,236)
<b>Net premiums written</b>	<b>\$ 103,010</b>	<b>\$ 82,307</b>
<b><u>Premiums earned</u></b>		
Direct	\$ 5,262	\$ 1,696
Assumed	342,019	294,567
Ceded	(118,057)	(83,908)
<b>Net premiums earned</b>	<b>\$ 229,224</b>	<b>\$ 212,355</b>
<b><u>Claims and claim expenses</u></b>		
Gross claims and claim expenses incurred	\$ 179,664	\$ 95,312
Claims and claim expenses recovered	(101,834)	(17,376)
<b>Net claims and claim expenses incurred</b>	<b>\$ 77,830</b>	<b>\$ 77,936</b>
Nine months ended September 30, (in thousands of U.S. dollars)	0000000000 2011	0000000000 2010
<b><u>Premiums written</u></b>		
Direct	\$ 21,984	\$ 5,545
Assumed	1,370,022	1,128,549
Ceded	(408,426)	(315,294)
<b>Net premiums written</b>	<b>\$ 983,580</b>	<b>\$ 818,800</b>
<b><u>Premiums earned</u></b>		
Direct	\$ 11,777	\$ 3,416
Assumed	1,043,311	909,806
Ceded	(303,148)	(238,043)
<b>Net premiums earned</b>	<b>\$ 751,940</b>	<b>\$ 675,179</b>
<b><u>Claims and claim expenses</u></b>		
Gross claims and claim expenses incurred	\$ 1,207,657	\$ 201,691

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Claims and claim expenses recovered	(350,029)	(45,218)
Net claims and claim expenses incurred	\$ 857,628	\$ 156,473

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The Company accounts for its weighted average shares in accordance with FASB ASC Topic *Earnings per Share*. Basic earnings per common share is based on weighted average common shares and excludes any dilutive effects of stock options and restricted stock. Diluted earnings per common share assumes the exercise of all dilutive stock options and restricted stock grants. In accordance with FASB ASC Topic *Earnings per Share*, earnings per share calculations use average common shares outstanding basic, when the Company is in a net loss position for the period.

The following tables set forth the computation of basic and diluted earnings per common share:

Three months ended September 30, (in thousands of U.S. dollars, except per share data)	2011	2010
<b>Numerator:</b>		
Net income available to RenaissanceRe common shareholders	\$ 49,263	\$ 204,750
Amount allocated to participating common shareholders (1)	(911)	(5,147)
	\$ 48,352	\$ 199,603
<b>Denominator (in thousands):</b>		
Denominator for basic income per RenaissanceRe common share -		
Weighted average common shares	50,501	53,467
Per common share equivalents of employee stock options and restricted shares	472	498
Denominator for diluted income per RenaissanceRe common share -		
Adjusted weighted average common shares and assumed conversions	50,973	53,965
<b>Basic income per RenaissanceRe common share</b>		
	\$ 0.96	\$ 3.73
<b>Diluted income per RenaissanceRe common share</b>		
	\$ 0.95	\$ 3.70

- (1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's 2001 Stock Incentive Plan and Non-Employee Director Stock Incentive Plan.

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Nine months ended September 30, (in thousands of U.S. dollars, except per share data)	2011	2010
<b>Numerator:</b>		
Net (loss) income (attributable) available to RenaissanceRe common shareholders	\$ (174,006)	\$ 580,038
Amount allocated to participating common shareholders (1)	(761)	(14,639)
	\$ (174,767)	\$ 565,399
<b>Denominator (in thousands):</b>		
Denominator for basic (loss) income per RenaissanceRe common share -		
Weighted average common shares	50,830	55,804
Per common share equivalents of employee stock options and restricted shares		495
<b>Denominator for diluted (loss) income per RenaissanceRe common share -</b>		
Adjusted weighted average common shares and assumed conversions (2)	50,830	56,299
<b>Basic (loss) income per RenaissanceRe common share</b>	<b>\$ (3.44)</b>	<b>\$ 10.13</b>
<b>Diluted (loss) income per RenaissanceRe common share (2)</b>	<b>\$ (3.44)</b>	<b>\$ 10.04</b>

- (1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's 2001 Stock Incentive Plan and Non-Employee Director Stock Incentive Plan.
- (2) Earnings per share calculations use average common shares outstanding - basic, when in a net loss position, as required by the FASB ASC Topic *Earnings Per Share*.

**NOTE 6. DIVIDENDS AND COMMON SHARE REPURCHASES**

The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of \$0.26 per common share to shareholders of record on each of March 15, June 15 and September 15, 2011, respectively.

On May 18, 2011, the Board of Directors approved an increase in the Company's authorized share repurchase program to an aggregate amount of \$500.0 million. Unless terminated earlier by resolution of the Company's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The Company repurchased 2.7 million shares in open market transactions during the three months ended March 31, 2011, at an aggregate cost of \$174.8 million and at an average share price of \$65.84. The Company did not repurchase any shares during the three months ended June 30, 2011 and the three months ended September 30, 2011. Future repurchases of common shares will depend on, among other matters, the market price of the common shares and the capital requirements of the Company. See Part II, Item 2 Unregistered Sales of Equity Securities and Use of Proceeds for additional information.

**NOTE 7. SEGMENT REPORTING**

The Company has three reportable segments: Reinsurance, Lloyd's and Insurance.

The Company's Reinsurance operations are comprised of: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, primarily written through Renaissance Reinsurance and DaVinci; and 3) certain property catastrophe and specialty joint ventures, as described herein. The Reinsurance segment is managed by the Global Chief Underwriting Officer, who leads a team of underwriters, risk modelers and other industry professionals, who have access to the Company's proprietary risk management, underwriting and modeling resources and tools.



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The Company's Lloyd's segment includes reinsurance and insurance business written through Syndicate 1458. Syndicate 1458 started writing certain lines of insurance and reinsurance business incepting on or after June 1, 2009. The syndicate was established to enhance the Company's underwriting platform by providing access to Lloyd's extensive distribution network and worldwide licenses and is managed by the Chief Underwriting Officer Lloyd's. RenaissanceRe Corporate Capital (UK) Limited (RenaissanceRe CCL), an indirect wholly owned subsidiary of the Company, is the sole corporate member of Syndicate 1458.

The Company's Insurance segment includes the operations of the Company's former Insurance segment that were not sold pursuant to the Stock Purchase Agreement with QBE, as discussed in Note 1. Organization and Basis of Presentation. The Insurance segment is managed by the Global Chief Underwriting Officer. The Insurance business is written by Glencoe Insurance Ltd. (Glencoe). Glencoe is a Bermuda domiciled excess and surplus lines insurance company that is currently eligible to do business on an excess and surplus lines basis in 49 U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

The financial results of the Company's strategic investments, weather and energy risk management operations and noncontrolling interests are included in the Other category of the Company's segment results. Also included in the Other category of the Company's segment results are the Company's investments in other ventures, investments unit, corporate expenses and capital servicing costs.

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

A summary of the significant components of the Company's revenues and expenses is as follows:

Three months ended September 30, 2011	Reinsurance	Lloyd's	Insurance	Eliminations	Other	Total
Gross premiums written	\$ 122,811	\$ 17,127	\$	\$	\$	\$ 139,938
Net premiums written	\$ 86,745	\$ 16,125	\$ 140			\$ 103,010
Net premiums earned	\$ 208,074	\$ 20,797	\$ 353			\$ 229,224
Net claims and claim expenses incurred	58,565	14,141	5,124			77,830
Acquisition expenses	21,964	4,013	80			26,057
Operational expenses	32,462	9,560	147			42,169
Underwriting income (loss)	\$ 95,083	\$ (6,917)	\$ (4,998)			83,168
Net investment loss					(27,940)	(27,940)
Net foreign exchange losses					(2,650)	(2,650)
Equity in earnings of other ventures					4,794	4,794
Other loss					(2,015)	(2,015)
Net realized and unrealized gains on investments					16,983	16,983
Net other-than-temporary impairments					(449)	(449)
Corporate expenses					(3,582)	(3,582)
Interest expense					(5,722)	(5,722)
Income from continuing operations before taxes						62,587
Income tax benefit					1,435	1,435
Loss from discontinued operations					(965)	(965)
Net income attributable to noncontrolling interests					(5,044)	(5,044)
Dividends on preference shares					(8,750)	(8,750)
Net income available to RenaissanceRe common shareholders						\$ 49,263

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Net claims and claim expenses incurred - current accident year	\$ 72,358	\$ 14,089	\$ (17)	\$ 86,430
Net claims and claim expenses incurred - prior accident years	(13,793)	52	5,141	(8,600)
Net claims and claim expenses incurred - total	\$ 58,565	\$ 14,141	\$ 5,124	\$ 77,830
Net claims and claim expense ratio - current accident year	34.8%	67.7%	(4.8%)	37.7%
Net claims and claim expense ratio - prior accident years	(6.7%)	0.3%	1,456.4%	(3.7%)
Net claims and claim expense ratio - calendar year	28.1%	68.0%	1,451.6%	34.0%
Underwriting expense ratio	26.2%	65.3%	64.3%	29.7%
Combined ratio	54.3%	133.3%	1,515.9%	63.7%

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Three months ended September 30, 2010	\$1,303,897 Reinsurance	\$1,303,897 Lloyd s	\$1,303,897 Insurance	\$1,303,897 Eliminations (1)	\$1,303,897 Other	\$1,303,897 Total
Gross premiums written	\$ 110,577	\$ 8,762	\$ 591	\$ (8,387)	\$	\$ 111,543
Net premiums written	\$ 86,309	\$ 6,141	\$ (10,143)			\$ 82,307
Net premiums earned	\$ 205,057	\$ 13,979	\$ (6,681)			\$ 212,355
Net claims and claim expenses incurred	72,480	7,687	(2,231)			77,936
Acquisition expenses	22,464	3,351	328			26,143
Operational expenses	29,637	6,246	1,087			36,970
Underwriting income (loss)	\$ 80,476	\$ (3,305)	\$ (5,865)			71,306
Net investment income					59,570	59,570
Net foreign exchange losses					(529)	(529)
Equity in losses of other ventures					(6,740)	(6,740)
Other income					25,021	25,021
Net realized and unrealized gains on investments					92,342	92,342
Corporate expenses					(5,590)	(5,590)
Interest expense					(6,164)	(6,164)
Income from continuing operations before taxes						229,216
Income tax benefit					2,399	2,399
Income from discontinued operations					21,234	21,234
Net income attributable to noncontrolling interests					(37,524)	(37,524)
Dividends on preference shares					(10,575)	(10,575)
Net income available to RenaissanceRe common shareholders						\$ 204,750
Net claims and claim expenses incurred - current accident year	\$ 106,344	\$ 7,702	\$ 816			\$ 114,862
Net claims and claim expenses incurred - prior accident years	(33,864)	(15)	(3,047)			(36,926)
Net claims and claim expenses incurred - total	\$ 72,480	\$ 7,687	\$ (2,231)			\$ 77,936
Net claims and claim expense ratio - current accident year	51.9%	55.1%	(12.2%)			54.1%
Net claims and claim expense ratio - prior accident years	(16.6%)	(0.1%)	45.6%			(17.4%)
Net claims and claim expense ratio - calendar year	35.3%	55.0%	33.4%			36.7%
Underwriting expense ratio	25.5%	68.6%	(21.2%)			29.7%

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Combined ratio	60.8%	123.6%	12.2%	66.4%
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- (1) Represents \$(1.5) million and \$9.8 million of gross premiums ceded from the Insurance segment to the Lloyd's segment and from the Insurance segment to the Reinsurance segment, respectively.

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Nine months ended September 30, 2011	\$1,303,897 Reinsurance	\$1,303,897 Lloyd s	\$1,303,897 Insurance	\$1,303,897 Eliminations (1)	\$1,303,897 Other	\$1,303,897 Total
Gross premiums written	\$ 1,303,897	\$ 87,873	\$ 313	\$ (77)	\$	\$ 1,392,006
Net premiums written	\$ 906,167	\$ 76,946	\$ 467			\$ 983,580
Net premiums earned	\$ 696,964	\$ 53,704	\$ 1,272			\$ 751,940
Net claims and claim expenses incurred	797,188	53,283	7,157			857,628
Acquisition expenses	62,187	9,779	309			72,275
Operational expenses	97,726	27,167	1,405			126,298
Underwriting loss	\$ (260,137)	\$ (36,525)	\$ (7,599)			(304,261)
Net investment income					65,669	65,669
Net foreign exchange losses					(6,511)	(6,511)
Equity in losses of other ventures					(13,831)	(13,831)
Other income					42,963	42,963
Net realized and unrealized gains on investments					46,748	46,748
Net other-than-temporary impairments					(449)	(449)
Corporate expenses					(9,657)	(9,657)
Interest expense					(17,647)	(17,647)
Loss from continuing operations before taxes						(196,976)
Income tax benefit					3,260	3,260
Loss from discontinued operations					(12,585)	(12,585)
Net loss attributable to noncontrolling interests					58,545	58,545
Dividends on preference shares					(26,250)	(26,250)
Net loss attributable to RenaissanceRe common shareholders						\$ (174,006)
Net claims and claim expenses incurred - current accident year	\$ 902,118	\$ 53,027	\$ (86)			\$ 955,059
Net claims and claim expenses incurred - prior accident years	(104,930)	256	7,243			(97,431)
Net claims and claim expenses incurred - total	\$ 797,188	\$ 53,283	\$ 7,157			\$ 857,628
Net claims and claim expense ratio - current accident year	129.4%	98.7%	(6.8%)			127.0%
Net claims and claim expense ratio - prior accident years	(15.0%)	0.5%	569.5%			(12.9%)
Net claims and claim expense ratio - calendar year	114.4%	99.2%	562.7%			114.1%
Underwriting expense ratio	22.9%	68.8%	134.7%			26.4%

Combined ratio	137.3%	168.0%	697.4%	140.5%
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(1) Represents \$0.1 million of gross premiums ceded from the Reinsurance segment to the Lloyd's segment.

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Nine months ended September 30, 2010	Reinsurance	Lloyds	Insurance	Eliminations (1)	Other	Total
Gross premiums written	\$ 1,105,679	\$ 57,627	\$ 1,276	\$ (30,488)	\$	\$ 1,134,094
Net premiums written	\$ 793,967	\$ 52,122	\$ (27,289)			\$ 818,800
Net premiums earned	\$ 646,349	\$ 37,580	\$ (8,750)			\$ 675,179
Net claims and claim expenses incurred	141,095	18,026	(2,648)			156,473
Acquisition expenses	63,064	7,682	5,412			76,158
Operational expenses	93,523	17,333	9,304			120,160
Underwriting income (loss)	\$ 348,667	\$ (5,461)	\$ (20,818)			322,388
Net investment income					151,452	151,452
Net foreign exchange losses					(12,480)	(12,480)
Equity in losses of other ventures					(1,424)	(1,424)
Other income					15,088	15,088
Net realized and unrealized gains on investments					210,593	210,593
Net other-than-temporary impairments					(829)	(829)
Corporate expenses					(15,392)	(15,392)
Interest expense					(15,526)	(15,526)
Income from continuing operations before taxes						653,870
Income tax benefit					6,320	6,320
Income from discontinued operations					51,562	51,562
Net income attributable to noncontrolling interests					(99,989)	(99,989)
Dividends on preference shares					(31,725)	(31,725)
Net income available to RenaissanceRe common shareholders						\$ 580,038
Net claims and claim expenses incurred - current accident year	\$ 361,403	\$ 18,202	\$ 6,302			\$ 385,907
Net claims and claim expenses incurred - prior accident years	(220,308)	(176)	(8,950)			(229,434)
Net claims and claim expenses incurred - total	\$ 141,095	\$ 18,026	\$ (2,648)			\$ 156,473
Net claims and claim expense ratio - current accident year	55.9%	48.4%	(72.0%)			57.2%
Net claims and claim expense ratio - prior accident years	(34.1%)	(0.4%)	102.3%			(34.0%)
Net claims and claim expense ratio - calendar year	21.8%	48.0%	30.3%			23.2%
Underwriting expense ratio	24.3%	66.5%	(168.2%)			29.1%
Combined ratio	46.1%	114.5%	(137.9%)			52.3%

- (1) Represents \$20.1 million, \$10.1 million and \$0.2 million of gross premiums ceded from the Insurance segment to the Lloyd's segment, from the Insurance segment to the Reinsurance segment and from the Reinsurance segment to Lloyd's segment, respectively.

**NOTE 8. INVESTMENTS***Fixed Maturity Investments Trading*

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

(in thousands of U.S. dollars)	September 30, 2011	December 31, 2010
U.S. treasuries	\$ 428,865	\$ 761,461
Agencies	127,063	216,963
Non-U.S. government (Sovereign debt)	390,637	157,867
FDIC guaranteed corporate	183,314	388,468
Non-U.S. government-backed corporate	594,573	356,119
Corporate	1,273,432	1,476,029
Agency mortgage-backed	347,387	383,403
Non-agency mortgage-backed	80,503	5,765
Commercial mortgage-backed	247,509	125,705
Asset-backed	14,386	
<b>Total fixed maturity investments trading, at fair value</b>	<b>\$ 3,687,669</b>	<b>\$ 3,871,780</b>

**Table of Contents***Fixed Maturity Investments Available For Sale*

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

September 30, 2011 (in thousands of U.S. dollars)	Amortized Cost	Included in Accumulated Other Comprehensive Income		Fair Value	Non-Credit Other-Than- Temporary Impairments (1)
		Gross Unrealized Gains	Gross Unrealized Losses		
Non-U.S. government (Sovereign debt)	\$ 10,685	\$ 998	\$ (32)	\$ 11,651	\$
Non-U.S. government-backed corporate	313	11		324	
Corporate	20,308	1,297	(595)	21,010	(147)
Agency mortgage-backed	15,184	1,243		16,427	
Non-agency mortgage-backed	22,027	2,097	(86)	24,038	(1,901)
Commercial mortgage-backed	65,774	5,537	(15)	71,296	
Asset-backed	4,992	231		5,223	
<b>Total fixed maturity investments available for sale</b>	<b>\$ 139,283</b>	<b>\$ 11,414</b>	<b>\$ (728)</b>	<b>\$ 149,969</b>	<b>\$ (2,048)</b>

- (1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income since the adoption of guidance related to the recognition and presentation of other-than-temporary impairments under FASB ASC Topic *Investments - Debt and Equity Securities*, during the second quarter of 2009, adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

December 31, 2010 (in thousands of U.S. dollars)	Amortized Cost	Included in Accumulated Other Comprehensive Income		Fair Value	Non-Credit Other-Than- Temporary Impairments (1)
		Gross Unrealized Gains	Gross Unrealized Losses		
Non-U.S. government (Sovereign debt)	\$ 23,836	\$ 2,830	\$ (146)	\$ 26,520	\$
Non-U.S. government-backed corporate	1,332	53		1,385	
Corporate	33,018	3,768	(404)	36,382	(1,818)
Agency mortgage-backed	17,159	1,245		18,404	
Non-agency mortgage-backed	24,972	3,452	(40)	28,384	(2,063)
Commercial mortgage-backed	86,194	7,570	(29)	93,735	
Asset-backed	39,038	1,124	(55)	40,107	(598)
<b>Total fixed maturity investments available for sale</b>	<b>\$ 225,549</b>	<b>\$ 20,042</b>	<b>\$ (674)</b>	<b>\$ 244,917</b>	<b>\$ (4,479)</b>

- (1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income since the adoption of guidance related to the recognition and presentation of other-than-temporary impairments under FASB ASC Topic

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*Investments - Debt and Equity Securities*, during the second quarter of 2009, adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

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

September 30, 2011 (in thousands of U.S. dollars)	Trading		Available for Sale		Total Fixed Maturity Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	\$ 167,947	\$ 168,432	\$ 174	\$ 125	\$ 168,121	\$ 168,557
Due after one through five years	1,876,919	1,880,559	11,869	12,857	1,888,788	1,893,416
Due after five through ten years	815,283	817,714	13,172	13,482	828,455	831,196
Due after ten years	127,583	131,180	6,090	6,520	133,673	137,700
Mortgage-backed	669,592	675,399	102,985	111,761	772,577	787,160
Asset-backed	14,404	14,385	4,993	5,224	19,397	19,609
<b>Total</b>	<b>\$ 3,671,728</b>	<b>\$ 3,687,669</b>	<b>\$ 139,283</b>	<b>\$ 149,969</b>	<b>\$ 3,811,011</b>	<b>\$ 3,837,638</b>

*Equity Investments Trading*

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

(in thousands of U.S. dollars)	September 30, 2011	December 31, 2010
Financial institution securities	\$ 45,607	\$

*Pledged Investments*

At September 30, 2011, \$895.5 million of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company's principal letter of credit facility. Of this amount, \$78.9 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.

*Net Investment (Loss) Income*

The components of net investment (loss) income are as follows:

Three months ended September 30, (in thousands of U.S. dollars)	2011	2010
Fixed maturity investments	\$ 11,435	\$ 35,219
Short term investments	281	635
Equity investments trading	171	
Other investments		
Hedge funds and private equity investments	(25,702)	7,491
Other	(11,665)	18,979
Cash and cash equivalents	66	74
	(25,414)	62,398
Investment expenses	(2,526)	(2,828)

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Net investment (loss) income	\$ (27,940)	\$ 59,570
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Nine months ended September 30, (in thousands of U.S. dollars)	2011	2010
Fixed maturity investments	\$ 63,774	\$ 92,108
Short term investments	1,309	1,803
Equity investments trading	297	
Other investments		
Hedge funds and private equity investments	6,035	33,215
Other	2,000	32,013
Cash and cash equivalents	152	157
	73,567	159,296
Investment expenses	(7,898)	(7,844)
Net investment income	\$ 65,669	\$ 151,452

The Company's net realized and unrealized gains on investments and net other-than-temporary impairments are as follows:

Three months ended September 30, (in thousands of U.S. dollars)	2011	2010
Gross realized gains	\$ 38,054	\$ 30,959
Gross realized losses	(6,099)	(748)
Net realized gains on fixed maturity investments	31,955	30,211
Net unrealized (losses) gains on fixed maturity investments trading	(13,007)	62,131
Net unrealized losses on equity investments trading	(1,965)	
Net realized and unrealized gains on investments	\$ 16,983	\$ 92,342
Total other-than-temporary impairments	\$ (498)	\$
Portion recognized in other comprehensive income, before taxes	49	
Net other-than-temporary impairments	\$ (449)	\$

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Nine months ended September 30, (in thousands of U.S. dollars)	2011	2010
Gross realized gains	\$ 64,046	\$ 108,560
Gross realized losses	(22,872)	(11,880)
Net realized gains on fixed maturity investments	41,174	96,680
Net unrealized gains on fixed maturity investments trading	7,963	113,913
Net unrealized losses on equity investments trading	(2,389)	
Net realized and unrealized gains on investments	\$ 46,748	\$ 210,593
Total other-than-temporary impairments	\$ (498)	\$ (831)
Portion recognized in other comprehensive income, before taxes	49	2
Net other-than-temporary impairments	\$ (449)	\$ (829)

The following tables provide an analysis of the length of time the Company's fixed maturity investments available for sale in an unrealized loss have been in a continual unrealized loss position.

September 30, 2011 (in thousands of U.S. dollars)	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Non-U.S. government (Sovereign debt)	\$ 1,442	\$ (30)	\$ 44	\$ (2)	\$ 1,486	\$ (32)
Corporate	6,887	(334)	572	(261)	7,459	(595)
Non-agency mortgage-backed	4,238	(33)	850	(53)	5,088	(86)
Commercial mortgage-backed	3,374	(13)	470	(2)	3,844	(15)
Total	\$ 15,941	\$ (410)	\$ 1,936	\$ (318)	\$ 17,877	\$ (728)

December 31, 2010 (in thousands of U.S. dollars)	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Non-U.S. government (Sovereign debt)	\$ 2,363	\$ (129)	\$ 291	\$ (17)	\$ 2,654	\$ (146)
Corporate	2,581	(285)	801	(119)	3,382	(404)
Non-agency mortgage-backed			1,645	(40)	1,645	(40)
Commercial mortgage-backed	2,199	(29)			2,199	(29)
Asset-backed	3,172	(39)	3,196	(16)	6,368	(55)
Total	\$ 10,315	\$ (482)	\$ 5,933	\$ (192)	\$ 16,248	\$ (674)

At September 30, 2011, the Company held 24 fixed maturity investments available for sale securities that were in an unrealized loss position for twelve months or greater. The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before the anticipated recovery of the remaining amortized cost basis. The Company performed reviews of its investments for the nine months ended September 30, 2011 and 2010, respectively, in order to determine whether declines in the fair value below the amortized cost basis of its fixed maturity investments available for sale were considered other-than-temporary in accordance with the

applicable guidance, as discussed below.

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### ***Other-Than-Temporary Impairment Process***

The Company's process for assessing whether declines in the fair value of its fixed maturity investments available for sale represent impairments that are other-than-temporary includes reviewing each fixed maturity investment available for sale that is impaired and determining: (i) if the Company has the intent to sell the debt security or (ii) if it is more likely than not that the Company will be required to sell the debt security before its anticipated recovery; and (iii) whether a credit loss exists, that is, where the Company expects that the present value of the cash flows expected to be collected from the security are less than the amortized cost basis of the security.

In assessing the Company's intent to sell securities, the Company's procedures may include actions such as discussing planned sales with its third party investment managers, reviewing sales that have occurred shortly after the balance sheet date, and consideration of other qualitative factors that may be indicative of the Company's intent to sell or hold the relevant securities. For the nine months ended September 30, 2011, the Company recognized \$Nil of other-than-temporary impairments due to the Company's intent to sell securities as of September 30, 2011 (September 30, 2010 - \$Nil).

In assessing whether it is more likely than not that the Company will be required to sell a security before its anticipated recovery, the Company considers various factors including its future cash flow forecasts and requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short term investments, fixed maturity investments trading and fixed maturity investments available for sale in an unrealized gain position, and other relevant factors. For the nine months ended September 30, 2011, the Company recognized \$Nil of other-than-temporary impairments due to required sales (September 30, 2010 - \$Nil).

In evaluating credit losses, the Company considers a variety of factors in the assessment of a security including: (i) the time period during which there has been a significant decline below cost; (ii) the extent of the decline below cost and par; (iii) the potential for the security to recover in value; (iv) an analysis of the financial condition of the issuer; (v) the rating of the issuer; (vi) the implied rating of the issuer based on an analysis of option adjusted spreads; (vii) the absolute level of the option adjusted spread for the issuer; and (viii) an analysis of the collateral structure and credit support of the security, if applicable.

Once the Company determines that it is possible that a credit loss may exist for a security, the Company performs a detailed review of the cash flows expected to be collected from the issuer. The Company estimates expected cash flows by applying estimated default probabilities and recovery rates to the contractual cash flows of the issuer, with such default and recovery rates reflecting long-term historical averages adjusted to reflect current credit, economic and market conditions, giving due consideration to collateral and credit support, if applicable, and discounting the expected cash flows at the purchase yield on the security. In instances in which a determination is made that an impairment exists but the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into: (i) the amount of the total other-than-temporary impairment related to the credit loss; and (ii) the amount of the total other-than-temporary impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income. For the nine months ended September 30, 2011 and 2010, the Company recognized \$0.4 million and \$0.8 million of credit related other-than-temporary impairments, respectively, which were recognized in earnings and \$49 thousand and \$2 thousand, respectively, related to other factors.

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The following table provides a rollforward of the amount of other-than-temporary impairments related to credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income:

Three months ended September 30, (in thousands of U.S. dollars)	0,000 2011	0,000 2010
Balance - July 1	\$ 2,629	\$ 3,598
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	30	
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	134	
Reductions:		
Securities sold during the period	(2,256)	
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security		
Increases in cash flows expected to be collected that are recognized over the remaining life of the security		
Balance - September 30	\$ 537	\$ 3,598
Nine months ended September 30, (in thousands of U.S. dollars)	0,000 2011	0,000 2010
Balance - January 1	\$ 3,098	\$ 9,987
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	30	
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	134	70
Reductions:		
Securities sold during the period	(2,725)	(6,459)
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security		
Increases in cash flows expected to be collected that are recognized over the remaining life of the security		
Balance - September 30	\$ 537	\$ 3,598

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### **NOTE 9. FAIR VALUE MEASUREMENTS**

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations, with the exception of changes in unrealized gains and losses on its fixed maturity investments available for sale, which are recognized as a component of accumulated other comprehensive income in shareholders' equity.

FASB ASC Topic *Fair Value Measurements and Disclosures* prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. The fair value is determined by multiplying the quoted price by the quantity held by the Company;

Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices; and

Level 3 inputs are based on unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or Level 2 and Level 3, respectively, during the period represented by these consolidated financial statements.

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Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's consolidated balance sheet:

September 30, 2011 (in thousands of U.S. dollars)	Total	Level 1	Level 2	Level 3
<b>Fixed maturity investments</b>				
U.S. treasuries	\$ 428,865	\$ 428,865	\$	\$
Agencies	127,063		127,063	
Non-U.S. government (Sovereign debt)	402,288		402,288	
FDIC guaranteed corporate	183,314		183,314	
Non-U.S. government-backed corporate	594,897		594,897	
Corporate	1,294,442		1,273,528	20,914
Agency mortgage-backed	363,814		363,814	
Non-agency mortgage-backed	104,541		104,541	
Commercial mortgage-backed	318,805		318,805	
Asset-backed	19,609		19,609	
<b>Total fixed maturity investments</b>	<b>3,837,638</b>	<b>428,865</b>	<b>3,387,859</b>	<b>20,914</b>
<b>Short term investments</b>	<b>1,557,937</b>		<b>1,557,937</b>	
Equity investments trading	45,607	45,607		
<b>Other investments</b>				
Private equity partnerships	345,986			345,986
Senior secured bank loan funds	243,766		231,251	12,515
Catastrophe bonds	85,800		85,619	181
Non-U.S. fixed income funds	29,440		29,440	
Hedge funds	26,810		26,810	
Miscellaneous other investments	4,955			4,955
<b>Total other investments</b>	<b>736,757</b>		<b>373,120</b>	<b>363,637</b>
<b>Other assets and (liabilities)</b>				
Assumed and ceded (re)insurance contracts	4,418			4,418
Derivatives	2,720	(773)	950	2,543
Other	13,375	(4,241)		17,616
<b>Total other assets and (liabilities)</b>	<b>20,513</b>	<b>(5,014)</b>	<b>950</b>	<b>24,577</b>
	<b>\$ 6,198,452</b>	<b>\$ 469,458</b>	<b>\$ 5,319,866</b>	<b>\$ 409,128</b>

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December 31, 2010 (in thousands of U.S. dollars)	Total	Level 1	Level 2	Level 3
<b>Fixed maturity investments</b>				
U.S. treasuries	\$ 761,461	\$ 761,461	\$	\$
Agencies	216,963		216,963	
Non-U.S. government (Sovereign debt)	184,387		184,387	
FDIC guaranteed corporate	388,468		388,468	
Non-U.S. government-backed corporate	357,504		357,504	
Corporate	1,512,411		1,490,626	21,785
Agency mortgage-backed	401,807		401,807	
Non-agency mortgage-backed	34,149		34,149	
Commercial mortgage-backed	219,440		219,440	
Asset-backed	40,107		40,107	
<b>Total fixed maturity investments</b>	<b>4,116,697</b>	<b>761,461</b>	<b>3,333,451</b>	<b>21,785</b>
<b>Short term investments</b>	<b>1,110,364</b>		<b>1,110,364</b>	
<b>Other investments</b>				
Private equity partnerships	347,556			347,556
Senior secured bank loan funds	166,106		158,386	7,720
Catastrophe bonds	123,961		123,961	
Non-U.S. fixed income funds	80,224		80,224	
Hedge funds	41,005		41,005	
Miscellaneous other investments	28,696		21,870	6,826
<b>Total other investments</b>	<b>787,548</b>		<b>425,446</b>	<b>362,102</b>
Other secured assets	14,250		14,250	
<b>Other assets and (liabilities)</b>				
Platinum warrants	44,925		44,925	
Assumed and ceded (re)insurance contracts	1,772			1,772
Derivatives	2,693	(51)	6,245	(3,501)
Other	13,629	(4,599)		18,228
<b>Total other assets and (liabilities)</b>	<b>63,019</b>	<b>(4,650)</b>	<b>51,170</b>	<b>16,499</b>
	<b>\$ 6,091,878</b>	<b>\$ 756,811</b>	<b>\$ 4,934,681</b>	<b>\$ 400,386</b>

*Fixed Maturity Investments*

Fixed maturity investments included in Level 1 consist of the Company's investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, FDIC guaranteed corporate, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed fixed maturity investments.

The Company's fixed maturity investments portfolios are priced using broker quotations and pricing services, such as index providers and pricing vendors. The pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine prices. Prices are generally verified using third party data. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets. The Company considers these Level 2 inputs as they are corroborated with other externally obtained information. The techniques generally used to determine the fair value of our fixed maturity investments are detailed below by asset class.



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### U.S. treasuries

At September 30, 2011, the Company's U.S. treasuries fixed maturity investments had a weighted average effective yield of 0.9%, a weighted average credit quality of AA, and are primarily priced by pricing vendors. When pricing these securities, the vendor utilizes daily data from many real time market sources, including active broker dealers, as such, the Company considers its U.S. treasuries fixed maturity investments Level 1. All data sources are regularly reviewed for accuracy to ensure the most reliable price source is used for each issue and maturity date.

### Agencies

At September 30, 2011, the Company's agencies fixed maturity investments had a weighted average effective yield of 0.5% and a weighted average credit quality of AA. The issuers of the Company's agencies fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing vendors. When evaluating these securities, the vendor gathers information from market sources and integrates other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The dollar value for each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data. The Company considers its agencies fixed maturity investments Level 2.

### Non-U.S. government (Sovereign debt)

Non-U.S. government fixed maturity investments held by the Company at September 30, 2011, had a weighted average effective yield of 1.6% and a weighted average credit quality of AA. The issuers for securities in this sector are generally non-U.S. governments and agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing vendors who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing vendor then applies a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing vendor utilizes data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets. The Company considers its non-U.S. government fixed maturity investments Level 2.

### FDIC guaranteed corporate

The Company's FDIC guaranteed corporate fixed maturity investments had a weighted average effective yield of 0.4% and a weighted average credit quality of AA at September 30, 2011. The issuers consist of well known corporate issuers who participate in the FDIC program. The Company's FDIC guaranteed corporate fixed maturity investments are primarily priced by pricing vendors. When evaluating these securities, the vendor gathers information from market sources regarding the issuer of the security, obtain credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing vendor also considers the specific terms and conditions of the securities, including any specific features which may influence risk. Each security is individually evaluated using a spread model which is added to the U.S. treasury curve. The Company considers its FDIC guaranteed corporate fixed maturity investments Level 2.

### Non-U.S. government-backed corporate

Non-U.S. government-backed corporate fixed maturity investments are considered Level 2 by the Company and had a weighted average effective yield of 1.2% and a weighted average credit quality of AAA at September 30, 2011. Non-U.S. government-backed fixed maturity investments are primarily priced by pricing vendors who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing vendor then applies a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing vendor utilizes data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

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### Corporate

At September 30, 2011, the Company's corporate fixed maturity investments had a weighted average effective yield of 4.6% and a weighted average credit quality of A, and principally consist of U.S. and international corporations. The Company's corporate fixed maturity investments are primarily priced by pricing vendors, and are considered Level 2 by the Company. When evaluating these securities, the vendor gathers information from market sources regarding the issuer of the security, obtains credit data, as well as other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing vendor also considers the specific terms and conditions of the securities, including any specific features which may influence risk. Each security is individually evaluated using a spread model which is added to the U.S. treasury curve.

The fair value of certain corporate fixed maturity investments are valued using internally developed models and are considered Level 3 by the Company. The internally developed models use a combination of quantitative and qualitative factors, which may include, but are not limited to, discounted cash flow analysis, financial statement analysis, budgets and forecasts, capital transactions and third party valuations.

### Agency mortgage-backed

At September 30, 2011, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 1.8%, a weighted average credit quality of AA and a weighted average life of 2.8 years. The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing vendors using a mortgage pool specific model which utilizes daily inputs from the active and the to be announced ( TBA ) market which is very liquid, as well as the U.S. treasury market. The vendor model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes. The Company considers its agency mortgage-backed fixed maturity investments Level 2.

### Non-agency mortgage-backed

The Company's non-agency mortgage-backed fixed maturity investments include non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments, and the Company considers these fixed maturity investments Level 2. The Company has no fixed maturity investments classified as sub-prime held in its fixed maturity investments portfolio. At September 30, 2011, the Company's non-agency prime residential mortgage-backed fixed maturity investments have a weighted average effective yield of 7.4%, a weighted average credit quality of BBB and a weighted average life of 4.0 years. The Company's non-agency Alt-A fixed maturity investments held at September 30, 2011 have a weighted average effective yield of 8.8%, a weighted average credit quality of A, a weighted average life of 3.8 years, and are from vintage years 2006 and prior. Securities held in these sectors are primarily priced by pricing vendors using an option adjusted spread ( OAS ) model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing vendor also reviews collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

### Commercial mortgage-backed

The Company's commercial mortgage-backed fixed maturity investments held at September 30, 2011 have a weighted average effective yield of 3.5%, a weighted average credit quality of AA and a weighted average life of 4.1 years. Securities held in these sectors are primarily priced by pricing vendors and are considered Level 2 by the Company. The pricing vendor applies dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The model utilizes a single cash flow stream and computes both a yield to call and weighted average yield to maturity. The model generates a derived price for the bond by applying the most likely scenario.

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### **Asset-backed**

At September 30, 2011, the Company's asset-backed fixed maturity investments had a weighted average effective yield of 1.0%, a weighted average credit quality of AAA and a weighted average life of 1.2 years. The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of student loans, credit card receivables and other receivables. Securities held in these sectors are primarily priced by pricing vendors and are considered Level 2 by the Company. The pricing vendor applies dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The model utilizes a single cash flow stream and computes both a yield to call and weighted average yield to maturity. The model generates a derived price for the bond by applying the most likely scenario.

### *Short term investments*

Short term investments are considered Level 2 and fair values are generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

### *Equity investments, classified as trading*

Equity investments are considered Level 1 by the Company and fair values are primarily priced by pricing vendors, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the vendor utilizes daily data from many real time market sources, including active broker dealers and applicable securities exchanges. All data sources are regularly reviewed for accuracy to ensure the most reliable price source is used for each issue.

### *Other Investments*

### **Private equity partnerships**

Included in the Company's investments in private equity partnerships at September 30, 2011 are alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes including U.S. and global leveraged buyouts; mezzanine investments; distressed securities; real estate; and oil, gas and power. The fair value of private equity partnership investments is based on net asset values obtained from the investment manager or general partner of the respective entity. The type of underlying investments held by the investee which form the basis of the net asset valuation include assets such as private business ventures, for which the Company does not have access to financial information, and as a result is unable to corroborate the fair value measurement and therefore requires significant management judgment to determine the underlying value of the private equity partnership and accordingly the fair value of the Company's investment in each private equity partnership is considered Level 3. The Company also considers factors such as recent financial information, the value of capital transactions with the partnership and management's judgment regarding whether any adjustments should be made to the net asset value. The Company regularly reviews the performance of its private equity partnerships directly with the fund managers.

### **Senior secured bank loan funds**

At September 30, 2011, the Company's investments in senior secured bank loan funds include funds that invest primarily in bank loans and other senior debt instruments. The fair value of the Company's senior secured bank loan funds are estimated using the net asset value per share of the funds. Investments of \$231.3 million are redeemable in part, on a monthly basis, or in whole over a three month period. These investments are valued at the net asset value of the fund and are considered Level 2. The Company also has a \$12.5 million investment in a closed end fund which invests primarily in loans. The Company has no right to redeem its investment in this fund. The Company's investment in this fund is valued using monthly net asset valuations received from the investment manager. The lock up provisions in this fund result in a lack of current observable market transactions between the fund participants and the fund, and therefore, the Company considers the fair value of its investment in this fund to be determined using Level 3 inputs.

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### **Catastrophe bonds**

The Company's other investments include investments in catastrophe bonds which are recorded at fair value. The fair value of the Company's investments in catastrophe bonds considered Level 2 are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications. In addition, the Company's investments in catastrophe bonds considered Level 3 are based on internal valuation models with the inputs to the internal valuation model based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications.

### **Non-U.S. fixed income funds**

The Company considers its investments in non-U.S. fixed income funds Level 2. The Company's non-U.S. fixed income funds invest primarily in non-U.S. convertible securities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments which are provided by third parties such as the relevant investment manager or administrator, recent financial information issued by the applicable investee entity or available market data.

### **Hedge funds**

The Company has investments in hedge funds that pursue multiple strategies. The fair values of the Company's hedge funds have been estimated using the net asset value per share of the investments which are provided by third parties such as the relevant investment manager or administrator, recent financial information issued by the applicable investee entity or available market data to estimate fair value. The Company considers its hedge fund investments Level 2.

### ***Other secured assets***

Other secured assets represented contractual rights under a purchase agreement, contingent purchase agreement and credit derivatives agreement with a major bank to sell certain securities within the Company's catastrophe-linked securities portfolio. The Company's other secured assets were accounted for at fair value based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications. As such, the Company considered its other secured assets Level 2.

### ***Other assets and liabilities***

Included in other assets and liabilities measured at fair value at September 30, 2011 are certain derivative-based risk management products primarily to address weather and energy risks, and hedging and trading activities related to these risks. The trading markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena and the fair value of these contracts is obtained through the use of exchange traded market prices, or in the absence of such market prices, industry or internal valuation models, as such, these products are considered Level 1 and Level 3, respectively. The Company considers assumed and ceded reinsurance contracts accounted for at fair value as Level 3, as the fair value of these contracts is obtained through the use of internal valuation models with the inputs to the internal valuation model based on proprietary data as observable market inputs are not available. In addition, other assets and liabilities include certain other derivatives entered into by the Company; the fair value of these transactions include the fair value of certain exchange traded foreign currency forward contracts which are considered Level 1, and the fair value of certain credit derivatives, determined using industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs.

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Below is a reconciliation of the beginning and ending balances, for the periods shown, of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs. Interest and dividend income are included in net investment (loss) income and are excluded from the reconciliation.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			Total
	and liabilities Fixed maturity investments trading	and liabilities Other investments	and liabilities Other assets and (liabilities)	
Three months ended September 30, 2011 (in thousands of U.S. dollars)				
Balance - July 1	\$ 21,264	\$ 381,123	\$ 72,992	\$ 475,379
Total unrealized losses				
Included in net investment (loss) income	(350)	(25,262)		(25,612)
Included in other (loss) income			(46,116)	(46,116)
Total realized gains				
Included in net investment (loss) income				
Included in other (loss) income			48,393	48,393
Total foreign exchange losses		(2,511)	(55)	(2,566)
Purchases		19,460	26,224	45,684
Sales			(19,860)	(19,860)
Settlements		(9,173)	(57,001)	(66,174)
Net transfers in and/or out of Level 3				
Balance - September 30	\$ 20,914	\$ 363,637	\$ 24,577	\$ 409,128

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			Total
	and (liabilities) Fixed maturity investments trading	and (liabilities) Other investments	and (liabilities) Other assets and (liabilities)	
Nine months ended September 30, 2011 (in thousands of U.S. dollars)				
Balance - January 1	\$ 21,785	\$ 362,102	\$ 16,499	\$ 400,386
Total unrealized (losses) gains				
Included in net investment (loss) income	(871)	4,630		3,759
Included in other (loss) income			(4,517)	(4,517)
Total realized gains				
Included in net investment (loss) income				
Included in other (loss) income			61,215	61,215
Total foreign exchange losses		(589)	(197)	(786)
Purchases		48,144	36,839	84,983
Sales			(30,884)	(30,884)
Settlements		(50,650)	(54,378)	(105,028)
Net transfers in and/or out of Level 3				

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Balance - September 30	\$	20,914	\$	363,637	\$	24,577	\$	409,128
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Three months ended September 30, 2010 (in thousands of U.S. dollars)	Fair Value Measurements Using Significant Unobservable		
	Other investments	Inputs (Level 3) Other assets and (liabilities)	Total
Balance - July 1	\$ 314,663	\$ 15,153	\$ 329,816
Total unrealized losses			
Included in net investment (loss) income	156		156
Included in other (loss) income		(6,496)	(6,496)
Total realized gains			
Included in net investment (loss) income			
Included in other (loss) income		18,237	18,237
Total foreign exchange losses	2,354	(16)	2,338
Purchases	31,727	8,147	39,874
Issuances		(12,181)	(12,181)
Settlements	(15,035)	(10,396)	(25,431)
Net transfers in and/or out of Level 3			
Balance - September 30	\$ 333,865	\$ 12,448	\$ 346,313

Nine months ended September 30, 2010 (in thousands of U.S. dollars)	Fair Value Measurements Using Significant Unobservable		
	Other investments	Inputs (Level 3) Other assets and (liabilities)	Total
Balance - January 1	\$ 393,913	\$ 17,026	\$ 410,939
Total unrealized losses			
Included in net investment (loss) income	3,323		3,323
Included in other (loss) income		(6,482)	(6,482)
Total realized gains			
Included in net investment (loss) income			
Included in other (loss) income		31,349	31,349
Total foreign exchange losses	(912)	(717)	(1,629)
Purchases	51,401	12,448	63,849
Issuances		(39,414)	(39,414)
Settlements	(113,860)	(1,762)	(115,622)
Net transfers in and/or out of Level 3			
Balance - September 30	\$ 333,865	\$ 12,448	\$ 346,313

**Table of Contents***Senior Notes*

In January 2003, RenaissanceRe issued \$100.0 million, which represents the carrying amount on the Company's consolidated balance sheet, of 5.875% Senior Notes due February 15, 2013, with interest on the notes payable on February 15 and August 15 of each year. At September 30, 2011, the fair value of the 5.875% Senior Notes was \$102.9 million (December 31, 2010 - \$105.9 million).

In March 2010, RenRe North America Holdings Inc. ( RRNAH ) issued \$250.0 million of 5.75% Senior Notes due March 15, 2020, with interest on the notes payable on March 15 and September 15 of each year. At September 30, 2011, the fair value of the 5.75% Senior Notes was \$256.3 million (December 31, 2010 - \$252.4 million).

The fair value of RenaissanceRe's 5.875% Senior Notes and RRNAH's 5.75% Senior Notes is determined using indicative market pricing obtained from third-party service providers.

*The Fair Value Option for Financial Assets and Financial Liabilities*

The Company has elected to account for certain assets and liabilities at fair value under FASB ASC Topic *Financial Instruments*. The Company has elected to use the guidance under FASB ASC Topic *Financial Instruments*, as it represents the most current authoritative GAAP. Below is a summary of the balances the Company has elected to account for at fair value:

(in thousands of U.S. dollars)	September 30, 2011	December 31, 2010
Other investments	\$ 736,757	\$ 787,548
Other secured assets	\$	\$ 14,250
Other assets and (liabilities)	\$ 22,034	\$ 20,000

Included in net investment (loss) income for the three and nine months ended September 30, 2011 was \$42.9 million and \$9.2 million, respectively, of net unrealized losses related to the changes in fair value of other investments (September 30, 2010 - net unrealized gains of \$15.3 million and \$21.0 million, respectively). Net unrealized losses related to the changes in the fair value of other secured assets recorded in other (loss) income was \$Nil and \$0.1 million, respectively, for the three and nine months ended September 30, 2011 (September 30, 2010 - net unrealized gains of \$0.3 million and \$0.1 million, respectively). Net unrealized losses related to the changes in the fair value of other assets and liabilities recorded in other (loss) income was \$45.5 million and \$2.2 million for the three and nine months ended September 30, 2011 (September 30, 2010 - net unrealized losses of \$0.6 million and \$1.5 million, respectively).

*Reinsurance Contracts Accounted for at Fair Value*

The Company assumes and cedes certain reinsurance contracts that are accounted for at fair value under the fair value option. The fair value of these contracts is obtained through the use of internal valuation models. These contracts are recorded on the Company's balance sheet in other assets and other liabilities and totaled \$4.5 million and \$0.1 million, respectively, at September 30, 2011 (December 31, 2010 - \$1.8 million and \$Nil, respectively). During the three and nine months ended September 30, 2011, the Company recorded (losses) gains of \$(2.7) million and \$39.9 million, respectively, which are included in other (loss) income and represent changes in the fair value of these contracts (September 30, 2010 - losses of \$0.8 million and \$3.1 million, respectively).

**Table of Contents***Measuring the Fair Value of Other Investments Using Net Asset Valuations*

The table below shows the Company's portfolio of other investments measured using net asset valuations:

September 30, 2011 (in thousands of U.S. dollars)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity partnerships	\$ 345,986	\$ 155,373	See below	See below
Senior secured bank loan funds	243,766	12,050	See below	See below
Non-U.S. fixed income funds	29,440		Monthly, bi-monthly	5 - 20 days
Hedge funds	26,810		Annually, bi-annually	45 - 90 days
<b>Total other investments measured using net asset valuations</b>	<b>\$ 646,002</b>	<b>\$ 167,423</b>		

*Private equity partnerships* Included in the Company's investments in private equity partnerships are alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes including U.S. and global leveraged buyouts; mezzanine investments; distressed securities; real estate; and oil, gas and power. The fair values of the investments in this category have been estimated using the net asset value of the investments. The Company generally has no right to redeem its interest in any of these private equity partnerships in advance of dissolution of the applicable partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the applicable limited partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 7 to 10 years from inception of the limited partnership.

*Senior secured bank loan funds* The Company's investment in senior secured bank loan funds includes funds that invest primarily in bank loans and other senior debt instruments. The fair values of the investments in this category have been estimated using the net asset value per share of the funds. Investments of \$231.3 million are redeemable, in part on a monthly basis, or in whole over a three month period.

The Company also has a \$12.5 million investment in a closed end fund which invests in loans. The Company has no right to redeem its investment in this fund.

*Non-U.S. fixed income funds* The Company's non-U.S. fixed income funds invest primarily in non-U.S. convertible securities. The fair values of the investments in this category have been estimated using the net asset value per share of the funds. Investments of \$29.4 million are redeemable, in whole or in part, on a bi-monthly basis. The issuers of these securities may permit redemptions which exceed this amount, but they are not obliged to do so.

*Hedge funds* The Company invests in hedge funds that pursue multiple strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the funds. Included in the Company's hedge funds is \$6.8 million of so called side pocket investments which are not redeemable at the option of the shareholder. As to each investment in a hedge fund that includes side pocket investments, if the investment is otherwise fully redeemed, the Company will still retain its interest in the side pocket investments until the underlying investments attributable to such side pockets are liquidated, realized or deemed realized at the discretion of the fund manager.

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**NOTE 10. NONCONTROLLING INTERESTS**

*Redeemable Noncontrolling Interest DaVinciRe*

In October 2001, the Company formed DaVinciRe and DaVinci with other equity investors. RenaissanceRe owns a noncontrolling economic interest in DaVinciRe; however, because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe are included in the consolidated financial statements of the Company. The portion of DaVinciRe's earnings owned by third parties for the three and nine months ended September 30, 2011 and 2010 is recorded in the consolidated statements of operations as net loss (income) attributable to noncontrolling interests. The Company's ownership in DaVinciRe was 42.8% at September 30, 2011 (December 31, 2010 - 41.2%).

DaVinciRe shareholders are party to a shareholders agreement (the Shareholders Agreement) which provides DaVinciRe shareholders, excluding RenaissanceRe, with certain redemption rights that enable each shareholder to notify DaVinciRe of such shareholder's desire for DaVinciRe to repurchase up to half of such shareholder's initial aggregate number of shares held, subject to certain limitations, such as limiting the aggregate of all share repurchase requests to 25% of DaVinciRe's capital in any given year and satisfying all applicable regulatory requirements. If total shareholder requests exceed 25% of DaVinciRe's capital, the number of shares repurchased will be reduced among the requesting shareholders pro-rata, based on the amounts desired to be repurchased. Shareholders desiring to have DaVinci repurchase their shares must notify DaVinciRe before March 1 of each year. The repurchase price will be based on GAAP book value as of the end of the year in which the shareholder notice is given, and the repurchase will be effective as of such date. Payment will be made by April 1 of the following year, following delivery of the audited financial statements for the year in which the repurchase was effective. The repurchase price is subject to a true-up for development on outstanding loss reserves after settlement of all claims relating to the applicable years.

Certain third party shareholders of DaVinciRe submitted repurchase notices on or before the required annual redemption notice date of March 1, 2010, in accordance with the Shareholders Agreement. The repurchase notices submitted on or before March 1, 2010, were for shares of DaVinciRe with a GAAP book value of \$88.4 million at December 31, 2010. Furthermore, DaVinciRe resolved to return additional capital of \$86.6 million to the remaining shareholders, including the Company, after the receipt of the repurchase notices described above. Effective January 1, 2011, DaVinciRe redeemed the shares and returned additional capital for an aggregate of \$175.0 million, less a \$17.5 million reserve holdback. As a result of the above transactions, the Company's ownership interest in DaVinciRe increased to 44.0% effective January 1, 2011.

In advance of the March 1, 2011 redemption notice date, certain third party shareholders of DaVinciRe submitted repurchase notices, in accordance with the Shareholders Agreement, for shares of DaVinciRe with a GAAP book value of \$8.9 million at September 30, 2011.

On June 1, 2011, DaVinciRe completed an equity raise of \$100.0 million from new and existing shareholders, including \$30.0 million contributed by the Company. The capital raised will be used to support the ongoing underwriting activities of DaVinci, which primarily writes property catastrophe reinsurance and certain classes of specialty reinsurance. As a result of the equity raise, the Company's ownership in DaVinciRe decreased to 42.8% effective June 1, 2011, compared to 44.0% effective January 1, 2011. The Company expects its ownership in DaVinciRe to fluctuate over time.

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The activity in the Company's redeemable noncontrolling interest DaVinciRe is detailed in the table below:

Three months ended September 30, (in thousands of U.S. dollars)	0000000000 2011	0000000000 2010
Balance - July 1	\$ 628,001	\$ 707,541
Purchase of shares from redeemable noncontrolling interest	(136)	(362)
Comprehensive income:		
Net income attributable to redeemable noncontrolling interest	5,247	37,524
Other comprehensive loss attributable to redeemable noncontrolling interest		(3,600)
Balance - September 30	\$ 633,112	\$ 741,103
Nine months ended September 30, (in thousands of U.S. dollars)	0000000000 2011	0000000000 2010
Balance - January 1	\$ 757,655	\$ 786,647
Purchase of shares from redeemable noncontrolling interest	(135,754)	(142,109)
Sale of shares to redeemable noncontrolling interest	70,000	
Comprehensive income:		
Net (loss) income attributable to redeemable noncontrolling interest	(58,783)	99,989
Other comprehensive loss attributable to redeemable noncontrolling interest	(6)	(3,424)
Balance - September 30	\$ 633,112	\$ 741,103

*Angus Fund L.P. (the Angus Fund)*

In December 2010, REAL and RenRe Commodity Advisors Inc. ( RRCA ), both wholly owned subsidiaries of the Company, formed the Angus Fund with other equity investors. REAL, the general partner of the Angus Fund, invested \$40 thousand in the Angus Fund, representing a 1.0% ownership interest at September 30, 2011 (December 31, 2010 - \$40 thousand and 1.0%, respectively), and RRCA, a limited partner, invested \$1.0 million in the Angus Fund, representing a 24.2% ownership interest at September 30, 2011 (December 31, 2010 - \$1.0 million and 24.8%, respectively). The Angus Fund was formed to provide capital to, and make investments in, companies primarily in the heating oil and propane distribution industries to supplement the Company's weather and energy risk management operations. The Angus Fund meets the definition of a variable interest entity ( VIE ), and therefore the Company evaluated its ownership in the Angus Fund to determine if it is the primary beneficiary. The Company has concluded it is the primary beneficiary of the Angus Fund as it has the power to direct, and has a more than insignificant economic interest in, the activities of the Angus Fund and as such, the financial position and results of operations of the Angus Fund are consolidated. The Company expects its ownership in the Angus Fund to fluctuate over time. The portion of the Angus Fund's earnings owned by third parties for the three and nine months ended September 30, 2011 is recorded in the consolidated statements of operations as net loss (income) attributable to noncontrolling interests.

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The activity in noncontrolling interest is detailed in the table below:

Three months ended September 30, (in thousands of U.S. dollars)	2011
Balance - July 1	\$ 3,430
Net sale of shares to noncontrolling interest	
Net income attributable to noncontrolling interest	(203)
Balance - September 30	\$ 3,227
Nine months ended September 30, (in thousands of U.S. dollars)	2011
Balance - January 1	\$ 2,889
Net sale of shares to noncontrolling interest	100
Net income attributable to noncontrolling interest	238
Balance - September 30	\$ 3,227

**NOTE 11. DERIVATIVE INSTRUMENTS**

The Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company accounts for its derivatives in accordance with FASB ASC Topic *Derivatives and Hedging*, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on the rights or obligations of the derivatives, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting in respect of any positions reflected in its consolidated financial statements. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

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The table below shows the location on the consolidated balance sheets and fair value of the Company's principal derivative instruments:

(in thousands of U.S. dollars)	Other liabilities		Other liabilities	
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
			Derivative Assets	
Interest rate futures	Other assets	\$ 246	Other assets	\$ 2,459
Foreign currency forward contracts (1)	Other assets		Other assets	6,341
Foreign currency forward contracts (2)	Other assets	9,820	Other assets	
Foreign currency forward contracts (3)	Other assets	948	Other assets	
Credit default swaps	Other assets		Other assets	3,064
Energy and weather contracts (4)	Other assets	23,855	Other assets	17,925
Platinum warrant	Other assets		Other assets	44,925
Total		\$ 34,869		\$ 74,714

(in thousands of U.S. dollars)	Other liabilities		Other liabilities	
	September 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
			Derivative Liabilities	
Interest rate futures	Other liabilities	\$ 1,019	Other liabilities	\$ 719
Foreign currency forward contracts (1)	Other liabilities	9,281	Other liabilities	
Foreign currency forward contracts (2)	Other liabilities		Other liabilities	3,141
Foreign currency forward contracts (3)	Other liabilities		Other liabilities	44
Credit default swaps	Other liabilities	537	Other liabilities	
Energy and weather contracts (4)	Other liabilities	21,312	Other liabilities	15,013
Total		\$ 32,149		\$ 18,917

- (1) Contracts used to manage foreign currency risks in underwriting operations.
- (2) Contracts used to manage foreign currency risks in investment operations.
- (3) Contracts used to manage foreign currency risks in energy and risk operations.
- (4) Included in other assets is \$28.0 million of derivative assets and \$4.2 million of derivative liabilities at September 30, 2011 (December 31, 2010 - \$21.7 million and \$3.7 million, respectively). Included in other liabilities is \$10.8 million of derivative assets and \$32.1 million of derivative liabilities at September 30, 2011 (December 31, 2010 - \$9.9 million and \$24.9 million, respectively).

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The location and amount of the gain (loss) recognized in the Company's consolidated statements of operations related to its derivative instruments is shown in the following table:

Three months ended September 30, (in thousands of U.S. dollars)	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2011	2010
Interest rate futures	Net investment (loss) income	\$ (15,235)	\$ 5,806
Foreign currency forward contracts (1)	Net foreign exchange losses	(15,927)	(1,160)
Foreign currency forward contracts (2)	Net foreign exchange losses	14,586	(25,528)
Foreign currency forward contracts (3)	Net foreign exchange losses	775	(790)
Credit default swaps	Other (loss) income	(4,290)	310
Energy and weather contracts	Other (loss) income	2,272	(11)
Platinum warrant	Other (loss) income		14,352
Total		\$ (17,819)	\$ (7,021)

- (1) Contracts used to manage foreign currency risks in underwriting operations.
- (2) Contracts used to manage foreign currency risks in investment operations.
- (3) Contracts used to manage foreign currency risks in energy and risk operations.

Nine months ended September 30, (in thousands of U.S. dollars)	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2011	2010
Interest rate futures	Net investment (loss) income	\$ (23,582)	\$ 5,341
Foreign currency forward contracts (1)	Net foreign exchange losses	1,080	(686)
Foreign currency forward contracts (2)	Net foreign exchange losses	(6,566)	13,281
Foreign currency forward contracts (3)	Net foreign exchange losses	127	126
Credit default swaps	Other (loss) income	(3,148)	223
Energy and weather contracts	Other (loss) income	12,201	7,174
Platinum warrant	Other (loss) income	2,975	8,987
Total		\$ (16,913)	\$ 34,446

- (1) Contracts used to manage foreign currency risks in underwriting operations.
- (2) Contracts used to manage foreign currency risks in investment operations.
- (3) Contracts used to manage foreign currency risks in energy and risk operations.

The Company is not aware of the existence of any credit risk-related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at September 30, 2011.

**Interest Rate Futures**

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which can include increasing or decreasing its exposure to this risk. At September 30, 2011, the Company had \$4.5 billion of notional long positions and \$298.0 million of notional short positions of primarily Eurodollar and U.S. Treasury and non-U.S. dollar futures contracts (December 31, 2010 -

\$2.2 billion and \$209.1 million, respectively). The fair value of these derivatives is determined using exchange traded prices.

**Foreign Currency Derivatives**

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-U.S. dollar denominated

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investments classified as available for sale and non-monetary assets and liabilities, are recognized currently in the Company's consolidated statements of operations.

### *Underwriting Operations Related Foreign Currency Contracts*

The Company's foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At September 30, 2011, the Company had outstanding underwriting related foreign currency contracts of \$123.7 million in notional long positions and \$694.2 million in notional short positions, denominated in U.S. dollars (December 31, 2010 - \$42.0 million and \$188.1 million, respectively).

### *Investment Portfolio Related Foreign Currency Forward Contracts*

The Company's investment operations are exposed to currency fluctuations through its investments in non-U.S. dollar fixed maturity investments, short term investments and other investments. To economically hedge its exposure to currency fluctuations from these investments, the Company has entered into foreign currency forward contracts. Foreign exchange gains (losses) associated with the Company's hedging of these non-U.S. dollar investments are recorded in net foreign exchange losses in its consolidated statements of operations. The fair value of the Company's investment portfolio related foreign currency forward contracts is determined using an interpolated rate based on closing forward market rates. At September 30, 2011, the Company had outstanding investment portfolio related foreign currency contracts of \$166.4 million in notional long positions and \$350.2 million in notional short positions, denominated in U.S. dollars (December 31, 2010 - \$69.2 million and \$281.0 million, respectively).

### *Energy and Risk Operations Related Foreign Currency Contracts*

The Company's energy and risk operations are exposed to currency fluctuations through certain derivative transactions it enters into that are denominated in non-U.S. dollars. The Company may, from time to time, use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with these operations. The fair value of the Company's energy and risk operations related foreign currency contracts is based on exchange traded prices. At September 30, 2011, the Company's energy and risk management operations had outstanding foreign currency contracts of \$75.0 million in notional long positions and \$17.1 million in notional short positions, denominated in U.S. dollars (December 31, 2010 - \$Nil and \$10.0 million, respectively).

## **Credit Derivatives**

The Company's exposure to credit risk is primarily due to its fixed maturity investments, short term investments, premiums receivable and reinsurance recoverable. From time to time, the Company purchases credit derivatives to hedge its exposures in the insurance industry and to assist in managing the credit risk associated with ceded reinsurance. The Company also employs credit derivatives in its investment portfolio to either assume credit risk or hedge its credit exposure. The fair value of the credit derivatives is determined using industry valuation models, broker bid indications or internal pricing valuation techniques. The fair value of these credit derivatives can change based on a variety of factors including changes in credit spreads, default rates and recovery rates, the correlation of credit risk between the referenced credit and the counterparty, and market rate inputs such as interest rates. At September 30, 2011, the Company had outstanding credit derivatives of \$15.0 million in notional long positions and \$79.0 million in notional short positions, denominated in U.S. dollars (December 31, 2010 - \$15.0 million and \$118.0 million, respectively).

**Table of Contents****Energy and Weather-Related Derivatives**

The Company regularly transacts in certain derivative-based risk management products primarily to address weather and energy risks and engages in hedging and trading activities related to these risks. The trading markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena. Currently, a significant percentage of the Company's derivative-based risk management products are transacted on a dual-trigger basis combining weather or other natural phenomenon, with prices for commodities or securities related to energy or agriculture. The fair value of these contracts is obtained through the use of quoted market prices, or in the absence of such quoted prices, industry or internal valuation models. Generally, the Company's current portfolio of such derivative contracts is of comparably short duration and such contracts are predominantly seasonal in nature. Over time, the Company currently expects that its participation in these markets, and the impact of these operations on its financial results, is likely to increase on both an absolute and relative basis.

The Company had the following gross derivative contract positions outstanding relating to its energy and weather derivatives trading activities.

	Quantity (1)		Unit of measurement
	September 30, 2011	December 31, 2010	
Energy	170,550,283	136,767,119	One million British thermal units ( MMBTUs )
Temperature	12,896,109	5,419,846	\$ per Degree Day Fahrenheit
Agriculture	12,008,000	260,000	Bushels

(1) Represents the sum of gross long and gross short derivative contracts.

At September 30, 2011, RenaissanceRe had provided guarantees in the aggregate amount of \$368.4 million to certain counterparties of the weather and energy risk operations of Renaissance Trading. In the future, RenaissanceRe may issue guarantees for other purposes or increase the amount of guarantees issued to counterparties of Renaissance Trading.

**Table of Contents****NOTE 12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT OF SUBSIDIARIES**

The following tables present condensed consolidating balance sheets at September 30, 2011 and December 31, 2010, condensed consolidating statements of operations for the three and nine months ended September 30, 2011 and 2010, and statements of cash flows for the nine months ended September 30, 2011 and 2010, respectively, for RenaissanceRe, RRNAH and RenaissanceRe's other subsidiaries. RRNAH is a wholly owned subsidiary of RenaissanceRe.

On March 17, 2010, RRNAH issued, and RenaissanceRe guaranteed, \$250.0 million of 5.75% Senior Notes due March 15, 2020, with interest on the notes payable on March 15 and September 15. The notes can be redeemed by RRNAH prior to maturity subject to payment of a make-whole premium. The notes, which are senior obligations, contain various covenants, including limitations on mergers and consolidations, restrictions as to the disposition of the stock of designated subsidiaries and limitations on liens of the stock of designated subsidiaries.

Condensed Consolidating Balance Sheet	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
<b>September 30, 2011</b>					
<b>Assets</b>					
Total investments	\$ 609,060	\$ 126,002	\$ 5,520,948	\$	\$ 6,256,010
Cash and cash equivalents	7,706	5,166	222,186		235,058
Investments in subsidiaries	2,801,567	131,967		(2,933,534)	
Due from subsidiaries and affiliates	55,016			(55,016)	
Premiums receivable			695,163		695,163
Prepaid reinsurance premiums			164,547		164,547
Reinsurance recoverable			434,553		434,553
Accrued investment income	5,240	703	28,294		34,237
Deferred acquisition costs			71,225		71,225
Other assets	207,912	17,880	200,424	(202,081)	224,135
Assets of discontinued operations held for sale		2,481			2,481
<b>Total assets</b>	<b>\$ 3,686,501</b>	<b>\$ 284,199</b>	<b>\$ 7,337,340</b>	<b>\$ (3,190,631)</b>	<b>\$ 8,117,409</b>
<b>Liabilities, Noncontrolling Interests and Shareholders Equity</b>					
<b>Liabilities</b>					
Reserve for claims and claim expenses	\$	\$	2,226,005	\$	\$ 2,226,005
Unearned premiums			623,596		623,596
Debt	124,000	249,224		(24,000)	349,224
Amounts due to subsidiaries and affiliates		3,222		(3,222)	
Reinsurance balances payable			317,627		317,627
Other liabilities	14,687	11,496	381,731	(208)	407,706
Liabilities of discontinued operations held for sale		9,098			9,098
<b>Total liabilities</b>	<b>138,687</b>	<b>273,040</b>	<b>3,548,959</b>	<b>(27,430)</b>	<b>3,933,256</b>
Redeemable noncontrolling interest - DaVinciRe			633,112		633,112
<b>Shareholders Equity</b>					
<b>Total shareholders equity</b>	<b>3,547,814</b>	<b>11,159</b>	<b>3,155,269</b>	<b>(3,163,201)</b>	<b>3,551,041</b>

<b><i>Total liabilities, noncontrolling interests and shareholders equity</i></b>	\$ 3,686,501	\$ 284,199	\$ 7,337,340	\$ (3,190,631)	\$ 8,117,409
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- (1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.
- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

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Condensed Consolidating Balance Sheet	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
<b>December 31, 2010</b>					
<b>Assets</b>					
Total investments	\$ 517,640	\$ 12,560	\$ 5,570,012	\$	\$ 6,100,212
Cash and cash equivalents	3,414	3,940	270,384		277,738
Investments in subsidiaries	3,533,266	140,923		(3,674,189)	
Due from subsidiaries and affiliates	145,298			(145,298)	
Premiums receivable			322,080		322,080
Prepaid reinsurance premiums			60,643		60,643
Reinsurance recoverable			101,711		101,711
Accrued investment income	3,720	5	30,835		34,560
Deferred acquisition costs			35,648		35,648
Other assets	139,654	2,307	318,077	(126,499)	333,539
Assets of discontinued operations held for sale		872,147			872,147
<b>Total assets</b>	<b>\$ 4,342,992</b>	<b>\$ 1,031,882</b>	<b>\$ 6,709,390</b>	<b>\$ (3,945,986)</b>	<b>\$ 8,138,278</b>
<b>Liabilities, Noncontrolling Interests and Shareholders Equity</b>					
<b>Liabilities</b>					
Reserve for claims and claim expenses	\$	\$	\$ 1,257,843	\$	\$ 1,257,843
Unearned premiums			286,183		286,183
Debt	377,512	374,196	200,000	(402,553)	549,155
Amounts due to subsidiaries and affiliates		843		(843)	
Reinsurance balances payable			318,024		318,024
Other liabilities	29,155	22,623	379,915		431,693
Liabilities of discontinued operations held for sale		598,511			598,511
<b>Total liabilities</b>	<b>406,667</b>	<b>996,173</b>	<b>2,441,965</b>	<b>(403,396)</b>	<b>3,441,409</b>
Redeemable noncontrolling interest - DaVinciRe			757,655		757,655
<b>Shareholders Equity</b>					
<b>Total shareholders equity</b>	<b>3,936,325</b>	<b>35,709</b>	<b>3,509,770</b>	<b>(3,542,590)</b>	<b>3,939,214</b>
<b>Total liabilities, noncontrolling interests and shareholders equity</b>	<b>\$ 4,342,992</b>	<b>\$ 1,031,882</b>	<b>\$ 6,709,390</b>	<b>\$ (3,945,986)</b>	<b>\$ 8,138,278</b>

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

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Condensed Consolidating Statement of Operations For the three months ended September 30, 2011	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
<b>Revenues</b>					
Net premiums earned	\$	\$	\$ 229,224	\$	\$ 229,224
Net investment income (loss)	5,266	423	(31,756)	(1,873)	(27,940)
Net foreign exchange losses	(120)		(2,530)		(2,650)
Equity in earnings of other ventures			4,794		4,794
Other loss	(367)		(1,648)		(2,015)
Net realized and unrealized gains on investments	9,741	3,067	4,175		16,983
Net other-than-temporary impairments			(449)		(449)
<b>Total revenues</b>	<b>14,520</b>	<b>3,490</b>	<b>201,810</b>	<b>(1,873)</b>	<b>217,947</b>
<b>Expenses</b>					
Net claims and claim expenses incurred			77,830		77,830
Acquisition expenses			26,057		26,057
Operational expenses	(979)	2,197	40,951		42,169
Corporate expenses	3,045	60	477		3,582
Interest expense	1,469	3,616	(8,557)	9,194	5,722
<b>Total expenses</b>	<b>3,535</b>	<b>5,873</b>	<b>136,758</b>	<b>9,194</b>	<b>155,360</b>
Income (loss) before equity in net income (loss) of subsidiaries and taxes	10,985	(2,383)	65,052	(11,067)	62,587
Equity in net income (loss) of subsidiaries	47,028	(2,689)		(44,339)	
Income (loss) from continuing operations before taxes	58,013	(5,072)	65,052	(55,406)	62,587
Income tax benefit		1,077	358		1,435
<b>Income (loss) from continuing operations</b>	<b>58,013</b>	<b>(3,995)</b>	<b>65,410</b>	<b>(55,406)</b>	<b>64,022</b>
Loss from discontinued operations		(965)			(965)
<b>Net income (loss)</b>	<b>58,013</b>	<b>(4,960)</b>	<b>65,410</b>	<b>(55,406)</b>	<b>63,057</b>
Net income attributable to noncontrolling interests			(5,044)		(5,044)
<b>Net income (loss) attributable to RenaissanceRe</b>	<b>58,013</b>	<b>(4,960)</b>	<b>60,366</b>	<b>(55,406)</b>	<b>58,013</b>
Dividends on preference shares	(8,750)				(8,750)
<b>Net income (loss) available (attributable) to RenaissanceRe common shareholders</b>	<b>\$ 49,263</b>	<b>\$ (4,960)</b>	<b>\$ 60,366</b>	<b>\$ (55,406)</b>	<b>\$ 49,263</b>

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- (1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.
- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

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Condensed Consolidating Statement of Operations For the nine months ended September 30, 2011	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
<b>Revenues</b>					
Net premiums earned	\$	\$	\$ 751,940	\$	\$ 751,940
Net investment income	16,016	642	52,887	(3,876)	65,669
Net foreign exchange losses	(24)		(6,487)		(6,511)
Equity in losses of other ventures			(13,831)		(13,831)
Other (loss) income	(172)		43,135		42,963
Net realized and unrealized gains on investments	12,073	3,028	31,647		46,748
Net other-than-temporary impairments			(449)		(449)
<b>Total revenues</b>	<b>27,893</b>	<b>3,670</b>	<b>858,842</b>	<b>(3,876)</b>	<b>886,529</b>
<b>Expenses</b>					
Net claims and claim expenses incurred			857,628		857,628
Acquisition expenses			72,275		72,275
Operational expenses	(3,395)	5,241	124,452		126,298
Corporate expenses	8,560	169	928		9,657
Interest expense	9,003	10,951	(6,803)	4,496	17,647
<b>Total expenses</b>	<b>14,168</b>	<b>16,361</b>	<b>1,048,480</b>	<b>4,496</b>	<b>1,083,505</b>
Income (loss) before equity in net loss of subsidiaries and taxes	13,725	(12,691)	(189,638)	(8,372)	(196,976)
Equity in net loss of subsidiaries	(161,771)	(3,421)		165,192	
Loss from continuing operations before taxes	(148,046)	(16,112)	(189,638)	156,820	(196,976)
Income tax benefit (expense)	290	4,154	(1,184)		3,260
<b>Loss from continuing operations</b>	<b>(147,756)</b>	<b>(11,958)</b>	<b>(190,822)</b>	<b>156,820</b>	<b>(193,716)</b>
Loss from discontinued operations		(12,585)			(12,585)
<b>Net loss</b>	<b>(147,756)</b>	<b>(24,543)</b>	<b>(190,822)</b>	<b>156,820</b>	<b>(206,301)</b>
Net loss attributable to noncontrolling interests			58,545		58,545
<b>Net loss attributable to RenaissanceRe</b>	<b>(147,756)</b>	<b>(24,543)</b>	<b>(132,277)</b>	<b>156,820</b>	<b>(147,756)</b>
Dividends on preference shares	(26,250)				(26,250)
<b>Net loss attributable to RenaissanceRe common shareholders</b>	<b>\$ (174,006)</b>	<b>\$ (24,543)</b>	<b>\$ (132,277)</b>	<b>\$ 156,820</b>	<b>\$ (174,006)</b>

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

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Condensed Consolidating Statement of Operations For the three months ended September 30, 2010	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
<b>Revenues</b>					
Net premiums earned	\$	\$	\$ 212,355	\$	\$ 212,355
Net investment income	1,559	21	57,990		59,570
Net foreign exchange gains (losses)	197		(726)		(529)
Equity in losses of other ventures			(6,740)		(6,740)
Other income	212	(34)	24,843		25,021
Net realized and unrealized gains on fixed maturity investments	12,683		79,659		92,342
<b>Total revenues</b>	14,651	(13)	367,381		382,019
<b>Expenses</b>					
Net claims and claim expenses incurred			77,936		77,936
Acquisition expenses			26,143		26,143
Operational expenses	(1,176)	2,162	37,392	(1,408)	36,970
Corporate expenses	4,908	63	619		5,590
Interest expense	1,469	3,537	4,695	(3,537)	6,164
<b>Total expenses</b>	5,201	5,762	146,785	(4,945)	152,803
Income (loss) before equity in net income (loss) of subsidiaries and taxes	9,450	(5,775)	220,596	4,945	229,216
Equity in net income (loss) of subsidiaries	205,875	(19,506)		(186,369)	
Income (loss) from continuing operations before taxes	215,325	(25,281)	220,596	(181,424)	229,216
Income tax benefit (expense)		6,758	(4,359)		2,399
<b>Income (loss) from continuing operations</b>	215,325	(18,523)	216,237	(181,424)	231,615
Income from discontinued operations		21,234			21,234
<b>Net income</b>	215,325	2,711	216,237	(181,424)	252,849
Net income attributable to redeemable noncontrolling interest - DaVinciRe			(37,524)		(37,524)
<b>Net income attributable to RenaissanceRe</b>	215,325	2,711	178,713	(181,424)	215,325
Dividends on preference shares	(10,575)				(10,575)
<b>Net income available to RenaissanceRe common shareholders</b>	\$ 204,750	\$ 2,711	\$ 178,713	\$ (181,424)	\$ 204,750

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- (1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.
- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

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Condensed Consolidating Statement of Operations	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
<b>For the nine months ended September 30, 2010</b>					
<b>Revenues</b>					
Net premiums earned	\$	\$	\$ 675,179	\$	\$ 675,179
Net investment income	4,614	901	145,937		151,452
Net foreign exchange losses	(498)		(11,982)		(12,480)
Equity in losses of other ventures			(1,424)		(1,424)
Other income	479	(34)	14,643		15,088
Net realized and unrealized gains (losses) on fixed maturity investments	19,248	(2,432)	193,777		210,593
Net other-than-temporary impairments			(829)		(829)
<b>Total revenues</b>	<b>23,843</b>	<b>(1,565)</b>	<b>1,015,301</b>		<b>1,037,579</b>
<b>Expenses</b>					
Net claims and claim expenses incurred			156,473		156,473
Acquisition expenses			76,158		76,158
Operational expenses	(2,584)	3,696	119,048		120,160
Corporate expenses	13,281	136	1,975		15,392
Interest expense	4,374	10,860	11,152	(10,860)	15,526
<b>Total expenses</b>	<b>15,071</b>	<b>14,692</b>	<b>364,806</b>	<b>(10,860)</b>	<b>383,709</b>
Income (loss) before equity in net income (loss) of subsidiaries and taxes	8,772	(16,257)	650,495	10,860	653,870
Equity in net income (loss) of subsidiaries	602,991	(47,756)		(555,235)	
Income (loss) before taxes	611,763	(64,013)	650,495	(544,375)	653,870
Income tax benefit (expense)		10,684	(4,364)		6,320
<b>Income (loss) from continuing operations</b>	<b>611,763</b>	<b>(53,329)</b>	<b>646,131</b>	<b>(544,375)</b>	<b>660,190</b>
Income from discontinued operations		51,562			51,562
<b>Net income (loss)</b>	<b>611,763</b>	<b>(1,767)</b>	<b>646,131</b>	<b>(544,375)</b>	<b>711,752</b>
Net income attributable to noncontrolling interests			(99,989)		(99,989)
<b>Net income (loss) attributable to RenaissanceRe</b>	<b>611,763</b>	<b>(1,767)</b>	<b>546,142</b>	<b>(544,375)</b>	<b>611,763</b>
Dividends on preference shares	(31,725)				(31,725)
<b>Net income (loss) available (attributable) to RenaissanceRe common shareholders</b>	<b>\$ 580,038</b>	<b>\$ (1,767)</b>	<b>\$ 546,142</b>	<b>\$ (544,375)</b>	<b>\$ 580,038</b>

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- (1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.
- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

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Condensed Consolidating Statement of Cash Flows	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	RenaissanceRe Consolidated
<b>For the nine months ended September 30, 2011</b>				
<b><i>Cash flows (used in) provided by operating activities</i></b>				
<b><i>Net cash (used in) provided by operating activities</i></b>	\$ (71,737)	\$ (32,579)	\$ 298,802	\$ 194,486
<b><i>Cash flows provided by investing activities</i></b>				
Proceeds from sales and maturities of fixed maturity investments trading	279,923	198,641	4,293,064	4,771,628
Purchases of fixed maturity investments trading	(489,766)	(282,627)	(3,581,256)	(4,353,649)
Proceeds from sales and maturities of fixed maturity investments available for sale			97,302	97,302
Purchases of fixed maturity investments available for sale			(4,092)	(4,092)
Purchases of equity investments trading			(47,996)	(47,996)
Net sales (purchases) of short term investments	26,329	(26,926)	(534,458)	(535,055)
Net sales of other investments	102,717		(75,839)	26,878
Net purchases of investments in other ventures			(21,000)	(21,000)
Net sales of other assets			58,568	58,568
Dividends and return of capital from subsidiaries	945,196	9,306	(954,502)	
Contributions to subsidiaries	(301,334)	(8,294)	309,628	
Due to (from) subsidiary	7,617	(843)	(6,774)	
Net proceeds from sale of discontinued operations held for sale		269,520		269,520
<b><i>Net cash provided by investing activities</i></b>	<b>570,682</b>	<b>158,777</b>	<b>(467,355)</b>	<b>262,104</b>
<b><i>Cash flows used in financing activities</i></b>				
Dividends paid - RenaissanceRe common shares	(40,099)			(40,099)
Dividends paid - preference shares	(26,250)			(26,250)
RenaissanceRe common share repurchases	(174,792)			(174,792)
Third party DaVinciRe share transactions			(59,357)	(59,357)
Net repayment of debt	(253,512)	(124,972)	178,484	(200,000)
<b><i>Net cash used in financing activities</i></b>	<b>(494,653)</b>	<b>(124,972)</b>	<b>119,127</b>	<b>(500,498)</b>
Effect of exchange rate changes on foreign currency cash			1,228	1,228
<b><i>Net increase (decrease) in cash and cash equivalents</i></b>	<b>4,292</b>	<b>1,226</b>	<b>(48,198)</b>	<b>(42,680)</b>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<b>3,414</b>	<b>3,940</b>	<b>270,384</b>	<b>277,738</b>
<b><i>Cash and cash equivalents, end of year</i></b>	<b>\$ 7,706</b>	<b>\$ 5,166</b>	<b>\$ 222,186</b>	<b>\$ 235,058</b>

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.



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Condensed Consolidating Statement of Cash Flows	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	RenaissanceRe Consolidated
<b>For the nine months ended September 30, 2010</b>				
<b><i>Cash flows provided by (used in) operating activities</i></b>				
<b><i>Net cash provided by (used in) operating activities</i></b>	\$ 8,710	\$ (24,709)	\$ 512,440	\$ 496,441
<b><i>Cash flows provided by (used in) investing activities</i></b>				
Proceeds from sales and maturities of investments trading	524,506		4,894,098	5,418,604
Purchases of investments trading	(597,999)		(8,341,655)	(8,939,654)
Proceeds from sales and maturities of investments available for sale	37,457	244,147	3,384,620	3,666,224
Purchases of investments available for sale	(240)	(246,570)	(155,714)	(402,524)
Net sales (purchases) of short term investments	105,460	(145)	12,204	117,519
Net (purchases) sales of other investments	(2,814)		88,863	86,049
Net sales of investments in other ventures			13,835	13,835
Net sales of other assets			2,730	2,730
Dividends and return of capital from subsidiaries	826,974	38,727	(865,701)	
Contributions to subsidiaries	(591,742)	(18,728)	610,470	
Due (from) to subsidiary	(76,766)	(691)	77,457	
<b><i>Net cash provided by (used in) investing activities</i></b>	<b>224,836</b>	<b>16,740</b>	<b>(278,793)</b>	<b>(37,217)</b>
<b><i>Cash flows (used in) provided by financing activities</i></b>				
Dividends paid - RenaissanceRe common shares	(42,381)			(42,381)
Dividends paid - preference shares	(31,725)			(31,725)
RenaissanceRe common share repurchases	(411,335)			(411,335)
Return of additional paid in capital to parent company		(149,600)	149,600	
Net issuance of debt	249,046	169,132	(169,132)	249,046
Third party DaVinciRe share transactions			(131,370)	(131,370)
<b><i>Net cash (used in) provided by financing activities</i></b>	<b>(236,395)</b>	<b>19,532</b>	<b>(150,902)</b>	<b>(367,765)</b>
Effect of exchange rate changes on foreign currency cash	(594)		194	(400)
<b><i>Net (decrease) increase in cash and cash equivalents</i></b>	<b>(3,443)</b>	<b>11,563</b>	<b>82,939</b>	<b>91,059</b>
<b><i>Net increase in cash and cash equivalents of discontinued operations</i></b>			<b>(46,051)</b>	<b>(46,051)</b>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<b>15,206</b>	<b>7,606</b>	<b>180,300</b>	<b>203,112</b>
<b><i>Cash and cash equivalents, end of year</i></b>	<b>\$ 11,763</b>	<b>\$ 19,169</b>	<b>\$ 217,188</b>	<b>\$ 248,120</b>

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

**NOTE 13. LITIGATION**

There are no material changes from the legal proceedings previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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

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

The following is a discussion and analysis of our results of operations for the three and nine months ended September 30, 2011 and 2010. The following also includes a discussion of our liquidity and capital resources at September 30, 2011. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto included in this filing and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. This filing contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from the results described or implied by these forward-looking statements. See Note on Forward-Looking Statements.

**OVERVIEW**

RenaissanceRe was established in Bermuda in 1993 to write principally property catastrophe reinsurance and today is a leading global provider of reinsurance and insurance coverages and related services. Our aspiration is to be the world's best underwriter of high-severity, low frequency risks. Through our operating subsidiaries, we seek to produce superior returns for our shareholders by being a trusted, long-term partner to our customers for assessing and managing risk, delivering responsive solutions, and keeping our promises. We accomplish this by leveraging our core capabilities of risk assessment and information management, and by investing in our capabilities to serve our customers across the cycles that have historically characterized our markets. Overall, our strategy focuses on superior risk selection, customer relationships and capital management. We provide value to our customers and joint venture partners in the form of financial security, innovative products, and responsive service. We are known as a leader in paying valid reinsurance claims promptly. We principally measure our financial success through long-term growth in tangible book value per common share plus the change in accumulated dividends, which we believe is the most appropriate measure of our Company's financial performance, and believe we have delivered superior performance in respect of this measure over time.

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

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

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

The operating results, also known as the underwriting results, of an insurance or reinsurance company are discussed frequently by reference to its net claims and claim expense ratio, underwriting expense ratio, and combined ratio. The net claims and claim expense ratio is calculated by dividing net claims and claim expenses incurred by net premiums earned. The underwriting expense ratio is calculated by dividing underwriting expenses (acquisition expenses and operational expenses) by net premiums earned. The combined ratio is the sum of the net claims and claim expense ratio and the underwriting expense ratio. A combined ratio below 100% generally indicates

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

### ***Discontinued Operations***

On November 18, 2010, we entered into a Stock Purchase Agreement with QBE to sell substantially all of our U.S.-based insurance operations, including our U.S. property and casualty business underwritten through managing general agents, our crop insurance business underwritten through Agro National, our commercial property insurance operations and our claims operations. The Company classified the assets and liabilities associated with this transaction as held for sale and its financial results are reflected in our Consolidated Financial Statements as discontinued operations. Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to our continuing operations.

Consideration for the transaction was book value at December 31, 2010 for the aforementioned businesses, payable in cash at closing and subject to adjustment for certain tax and other items. The transaction closed on March 4, 2011 and net consideration of \$269.5 million was received by the Company.

### ***Segments***

Our reportable segments include: (1) Reinsurance, which includes catastrophe reinsurance, specialty reinsurance and certain property catastrophe and specialty joint ventures, (2) Lloyd's, which includes reinsurance and insurance business written through Syndicate 1458, and (3) Insurance, which includes the Bermuda-based insurance operations of our former Insurance segment which were not sold pursuant to the Stock Purchase Agreement with QBE. In addition, our Other category primarily reflects our strategic investments, weather and energy risk management operations, investments unit, corporate expenses, capital servicing costs and noncontrolling interests.

### ***Reinsurance***

Our Reinsurance segment has two main units:

- (1) Property catastrophe reinsurance, written for our own account, and for DaVinci, is our traditional core business. We believe we are one of the world's leading providers of this coverage, based on catastrophe gross premiums written. This coverage protects against large natural catastrophes, such as earthquakes, hurricanes and tsunamis, as well as claims arising from other natural and man-made catastrophes such as winter storms, freezes, floods, fires, wind storms, tornadoes, explosions and acts of terrorism. We offer this coverage to insurance companies and other reinsurers primarily on an excess of loss basis. This means that we begin paying when our customers' claims from a catastrophe exceed a certain retained amount.
- (2) Specialty reinsurance, written for our own account, and for DaVinci, covering certain targeted classes of business where we believe we have a sound basis for underwriting and pricing the risk that we assume. Our portfolio includes various classes of business, such as catastrophe exposed workers' compensation, surety, terrorism, political risk, trade credit, financial, mortgage guarantee, catastrophe-exposed personal lines property, casualty clash, certain other casualty lines and other specialty lines of reinsurance that we collectively refer to as specialty reinsurance. We believe that we are seen as a market leader in certain of these classes of business. We are seeking to expand our specialty reinsurance operations over time, although we cannot assure you that we will do so, particularly in light of current and forecasted market conditions.

### ***Lloyd's***

Our Lloyd's segment includes insurance and reinsurance business written for our own account through Syndicate 1458. Syndicate 1458 started writing certain lines of insurance and reinsurance business incepting on or after June 1, 2009. The syndicate was established to enhance our underwriting platform by providing access to Lloyd's extensive distribution network and worldwide licenses. RenaissanceRe CCL, an indirect wholly owned subsidiary of the Company, is the sole corporate member of Syndicate 1458.



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### *Insurance*

Our Insurance segment includes the insurance policies written in connection with our Bermuda-based insurance operations which were not sold to QBE. Our Insurance segment is managed by the Global Chief Underwriting Officer. The Bermuda-based insurance business is written by Glencoe, a Bermuda domiciled excess and surplus lines insurance company that is currently eligible to do business on an excess and surplus lines basis in 49 U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. Although we are not actively underwriting new business in the Insurance segment, we may from time to time evaluate potential new business opportunities for our Insurance segment.

### *Other*

Our Other category primarily includes the results of: (1) our share of strategic investments in certain markets we believe offer attractive risk-adjusted returns or where we believe our investment adds value, such as our investments in the Tower Hill Companies, Essent Group Ltd. and the Angus Fund, where, rather than assuming exclusive management responsibilities ourselves, we partner with other market participants; (2) our weather and energy risk management operations primarily through Renaissance Trading and REAL, (3) our investment unit which manages and invests the funds generated by our consolidated operations and (4) corporate expenses, capital services costs and noncontrolling interests.

### *New Business*

From time to time we consider diversification into new ventures, either through organic growth, the formation of new joint ventures, or the acquisition of or the investment in other companies or books of business of other companies. This potential diversification includes opportunities to write targeted, additional classes of risk-exposed business, both directly for our own account and through possible new joint venture opportunities. We also regularly evaluate potential strategic opportunities that we believe might utilize our skills, capabilities, proprietary technology and relationships to support possible expansion 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 then current portfolio of risks.

We regularly review potential strategic transactions that might improve our portfolio of business, enhance or focus our strategies, expand our distribution or capabilities, or to seek other benefits. In evaluating potential new ventures or investments, we generally seek an attractive estimated return on equity, the ability to develop or capitalize on a competitive advantage, and opportunities which we believe will not detract from our core operations. While we regularly review potential strategic transactions and periodically engage in discussions regarding possible transactions, there can be no assurance that we will complete any such transactions or that any such transaction would be successful or materially enhance 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.

### *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. Our policies, procedures, tools and resources to monitor and assess our operational risks companywide, as well as our global enterprise-wide risk management practices, are overseen by our Chief Risk Officer, who reports directly to our Chief Financial 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, REMS<sup>®</sup>. We believe that REMS<sup>®</sup>, as updated from time to time, 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<sup>®</sup> was originally developed to analyze catastrophe risks, though we continuously seek ways to enhance the program in order to analyze other classes of risk.

**Table of Contents****SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

The Company's critical accounting estimates are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations found in our Annual Report on Form 10-K for the year ended December 31, 2010.

**SUMMARY OF RESULTS OF OPERATIONS**

*For the three months ended September 30, 2011 compared to the three months ended September 30, 2010*

**Summary Overview**

Three months ended September 30, (in thousands of U.S. dollars, except per share amounts and ratios)	2011	2010	Change
Gross premiums written	\$ 139,938	\$ 111,543	\$ 28,395
Net premiums written	103,010	82,307	20,703
Net premiums earned	229,224	212,355	16,869
Net claims and claim expenses incurred	77,830	77,936	(106)
Acquisition expenses	26,057	26,143	(86)
Operational expenses	42,169	36,970	5,199
Underwriting income	83,168	71,306	11,862
Net investment (loss) income	(27,940)	59,570	(87,510)
Net realized and unrealized gains on investments	16,983	92,342	(75,359)
Net other-than-temporary impairments	(449)		(449)
Income from continuing operations	64,022	231,615	(167,593)
(Loss) income from discontinued operations	(965)	21,234	(22,199)
Net income	63,057	252,849	(189,792)
Net income available to RenaissanceRe common shareholders	49,263	204,750	(155,487)
Net income available to RenaissanceRe common shareholders per common share - diluted	\$ 0.95	\$ 3.70	\$ (2.75)
Net claims and claim expense ratio - current accident year	37.7%	54.1%	(16.4%)
Net claims and claim expense ratio - prior accident years	(3.7%)	(17.4%)	13.7%
Net claims and claim expense ratio - calendar year	34.0%	36.7%	(2.7%)
Underwriting expense ratio	29.7%	29.7%	0.0%
Combined ratio	63.7%	66.4%	(2.7%)

	September 30, 2011	June 30, 2011	Change	% Change
Book value per common share	\$ 57.89	\$ 57.30	\$ 0.59	1.0%
Accumulated dividends per common share	10.66	10.40	0.26	2.5%
Book value per common share plus accumulated dividends	\$ 68.55	\$ 67.70	\$ 0.85	

Net income available to RenaissanceRe common shareholders was \$49.3 million in the third quarter of 2011, compared to \$204.8 million in the third quarter of 2010. Net income available to RenaissanceRe common shareholders per fully diluted common share was \$0.95 for the third

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quarter of 2011, compared to \$3.70 in the third quarter of 2010. The decrease in net income attributable to RenaissanceRe common shareholders in the third quarter of 2011, compared to the third quarter of 2010, was primarily due to:

*Significantly Lower Investment Results* including an \$87.5 million decrease in net investment income and a \$75.4 million decrease in net realized and unrealized gains on investments, which collectively decreased our net income by \$162.9 million in the third quarter of 2011, compared to the third quarter of 2010. The decrease in our investment results was primarily due to lower total returns on the fixed maturity investments portfolio which included a \$19.2 million negative impact from derivatives and futures, a decrease in average invested assets, lower returns on certain non-investment grade

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allocations included in other investments, and \$25.7 million of net investment losses from our hedge funds and private equity investments;

*Other (Loss) Income* - our other loss of \$2.0 million in the third quarter of 2011, deteriorated from other income of \$25.0 million in the third quarter of 2010, primarily due to two nonrecurring items; the sale of our Platinum warrants in the first quarter of 2011 which produced a mark-to-market gain of \$14.4 million in the third quarter of 2010, and a gain of \$15.8 million in the third quarter of 2010 from the sale of our entire ownership in ChannelRe; partially offset by

*Net Income Attributable to Redeemable Noncontrolling Interest* DaVinciRe - our net income attributable to redeemable noncontrolling interest DaVinciRe was \$5.2 million in the third quarter of 2011, compared to \$37.5 million in the third quarter of 2010, a decrease of \$32.3 million, due to lower net income for DaVinciRe in the third quarter of 2011, which was principally driven by lower total returns on its fixed maturity investments portfolio and lower underwriting income; and

*Improved Underwriting Income* - our underwriting income of \$83.2 million in the third quarter of 2011 increased \$11.9 million, from \$71.3 million in the third quarter of 2010, primarily due to an increase in net premiums earned and partially offset by an increase in operational expenses and losses from certain aggregate loss contracts and hurricane Irene.

Book value per common share increased \$0.59 to \$57.89 at September 30, 2011, compared to \$57.30 at June 30, 2011. Book value per common share plus accumulated dividends increased \$0.85 to \$68.55 at September 30, 2011, compared to \$67.70 at June 30, 2011. The 1.0% increase in book value per common share was driven by comprehensive income attributable to RenaissanceRe common shareholders of \$51.1 million, offset in part by \$13.4 million and \$8.8 million of common and preferred dividends, respectively, during the third quarter of 2011. We did not repurchase any common shares under our authorized share repurchase program during the third quarter of 2011.

*Underwriting Results*

In the third quarter of 2011, we generated underwriting income of \$83.2 million, compared to \$71.3 million in the third quarter of 2010. The increase in underwriting income was driven primarily by a \$16.9 million increase in net premiums earned, partially offset by a \$5.2 million increase in operational expenses. We generated a net claims and claim expense ratio of 34.0%, an underwriting expense ratio of 29.7% and a combined ratio of 63.7% in the third quarter of 2011, compared to 36.7%, 29.7% and 66.4%, respectively, in the third quarter of 2010.

Gross premiums written increased \$28.4 million, or 25.5%, to \$139.9 million in the third quarter of 2011, compared to \$111.5 million in the third quarter of 2010. As discussed in more detail below, the increase in gross premiums written in the third quarter of 2011, compared to the third quarter of 2010, was primarily due to \$20.0 million of reinstatement premiums written in the third quarter of 2011 principally within our catastrophe unit, and an increase in our Lloyd's segment gross premiums written of \$8.4 million primarily due to Syndicate 1458 increasing its book of business across most lines of business. Excluding the impact of \$20.0 million and \$5.5 million of reinstatement premiums written in the third quarters of 2011 and 2010, respectively, gross premiums written increased \$13.9 million, or 13.1%, in the third quarter of 2011. The improving market conditions in our catastrophe unit were principally driven by the comparably high level of catastrophes experienced during the first nine months of 2011 which impacted the capital position of many participants in the (re)insurance industry, combined with the 2011 forecast of above normal hurricane activity in the Atlantic basin and the impact of vendor catastrophe model changes which has increased the perceived level of catastrophe risk and exposure for many of our clients.

Net claims and claim expenses were relatively flat at \$77.8 million, compared to \$77.9 million in the third quarter of 2011 and 2010, respectively. Current accident year net claims and claim expenses for the third quarter of 2011 included an \$8.1 million net reduction due to large events occurring in the first and second quarters of 2011 and \$30.1 million and \$30.2 million of net claims and claim expenses related to certain aggregate loss contracts and hurricane Irene, respectively, as detailed in the tables below:

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Three months ended September 30, 2011 (in thousands of U.S. dollars, except ratios)	Large Events Occurring in Prior Periods					Total
	September 2010 New Zealand Earthquake	Tropical Cyclone Tasha	Australian Flooding	February 2011 New Zealand Earthquake	Tohoku Earthquake	
(Increase) decrease in gross ultimate claims and claim expenses incurred	\$ (17,750)	\$ 14,617	\$ 28,278	\$ (63,641)	\$ (47,244)	\$ (85,740)
Increase (decrease) in gross claims and claim expenses recovered	3,054	(3,530)	(5,308)	22,582	73,433	90,231
(Increase) decrease in net claims and claim expenses incurred	(14,696)	11,087	22,970	(41,059)	26,189	4,491
Assumed reinstatement premiums earned	2,623		(4,698)	14,959	1,680	14,564
Ceded reinstatement premiums earned				(1,187)	(6,823)	(8,010)
(Lost) earned profit commissions	(221)	1,071	488	583	(88)	1,833
Net (negative) positive impact on underwriting result	(12,294)	12,158	18,760	(26,704)	20,958	12,878
Recoveries from ceded reinsurance contracts accounted for at fair value					97	97
Redeemable noncontrolling interest - DaVinciRe	3,680	(1,352)	(4,871)	9,084	458	6,999
Net (negative) positive impact	\$ (8,614)	\$ 10,806	\$ 13,889	\$ (17,620)	\$ 21,513	\$ 19,974
Percentage point impact on consolidated combined ratio	5.8	(5.3)	(8.8)	14.7	(9.8)	(4.7)
Net impact on Reinsurance segment underwriting result	\$ (11,515)	\$ 12,091	\$ 18,760	\$ (26,632)	\$ 19,966	\$ 12,670
Net impact on Lloyd's segment underwriting result	(779)	67		(72)	992	208
Net (negative) positive impact on underwriting result	\$ (12,294)	\$ 12,158	\$ 18,760	\$ (26,704)	\$ 20,958	\$ 12,878
Decrease (increase) in current accident year net claims and claim expenses incurred	\$	\$	\$ 22,970	\$ (41,059)	\$ 26,189	\$ 8,100
(Adverse) favorable development in prior accident years net claims and claim expenses incurred	(14,696)	11,087				(3,609)
(Increase) decrease in net claims and claim expenses incurred	\$ (14,696)	\$ 11,087	\$ 22,970	\$ (41,059)	\$ 26,189	\$ 4,491

Three months ended September 30, 2011 (in thousands of U.S. dollars, except ratios)	Large Events Occurring in the Third Quarter of 2011		
	Aggregate Loss Contracts	Hurricane Irene	Total
Gross ultimate claims and claim expenses incurred	\$ (39,557)	\$ (35,934)	\$ (75,491)
Gross claims and claim expenses recovered	9,467	5,762	15,229
Net claims and claim expenses incurred	(30,090)	(30,172)	(60,262)
Reinstatement premiums earned		5,460	5,460

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Net negative impact on underwriting result	(30,090)	(24,712)	(54,802)
Redeemable noncontrolling interest - DaVinciRe	4,457	6,794	11,251
Net negative impact	\$ (25,633)	\$ (17,918)	\$ (43,551)
Percentage point impact on consolidated combined ratio	13.1	11.9	25.4
Net negative impact on Reinsurance segment underwriting result	\$ (30,090)	\$ (22,212)	\$ (52,302)
Net negative impact on Lloyd s segment underwriting result		(2,500)	(2,500)
Net negative impact on underwriting result	\$ (30,090)	\$ (24,712)	\$ (54,802)

*Net (Negative) Positive Impact of Specific Events*

Net impact includes the sum of estimates of net claims and claim expenses incurred, earned reinstatement premiums assumed and ceded, lost profit commissions, redeemable noncontrolling interest – DaVinci Re, equity in the net claims and claim expenses of Top Layer Re, and other income in respect of ceded reinsurance contracts accounted for at fair value. Our estimates are based on a review of our potential exposures, preliminary discussions with certain counterparties and catastrophe modeling techniques. Given the magnitude and relatively recent occurrence of the various catastrophe events described herein, delays in receiving claims data, the contingent nature of business interruption and other exposures, potential uncertainties relating to reinsurance recoveries and other uncertainties inherent in loss estimation, meaningful uncertainty remains regarding losses from these events. In addition, a significant portion of the net claims and claim expenses associated with the February 2011 New Zealand and Tohoku earthquakes are concentrated with a few large clients and therefore the loss estimates for these events may vary significantly based on the claims experience of those clients. Accordingly, our actual net negative impact from these events will vary from these preliminary estimates, perhaps materially so. Changes in these estimates will be recorded in the period in which they occur.

We experienced \$8.6 million of favorable development on prior years reserves in the third quarter of 2011, compared to \$36.9 million in the third quarter of 2010, as discussed in detail below.

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

Below is a summary of the underwriting results and ratios for our Reinsurance segment followed by an analysis of our catastrophe unit and specialty unit underwriting results and ratios:

Reinsurance segment overview			
Three months ended September 30, (in thousands of U.S. dollars, except ratios)	2011	2010	Change
Gross premiums written (1)	\$ 122,811	\$ 110,577	\$ 12,234
Net premiums written	\$ 86,745	\$ 86,309	\$ 436
Net premiums earned	208,074	205,057	3,017
Net claims and claim expenses incurred	58,565	72,480	(13,915)
Acquisition expenses	21,964	22,464	(500)
Operational expenses	32,462	29,637	2,825
Underwriting income	\$ 95,083	\$ 80,476	\$ 14,607
Net claims and claim expenses incurred - current accident year	\$ 72,358	\$ 106,344	\$ (33,986)
Net claims and claim expenses incurred - prior accident years	(13,793)	(33,864)	20,071
Net claims and claim expenses incurred - total	\$ 58,565	\$ 72,480	\$ (13,915)
Net claims and claim expense ratio - current accident year	34.8%	51.9%	(17.1%)
Net claims and claim expense ratio - prior accident years	(6.7%)	(16.6%)	9.9%
Net claims and claim expense ratio - calendar year	28.1%	35.3%	(7.2%)
Underwriting expense ratio	26.2%	25.5%	0.7%
Combined ratio	54.3%	60.8%	(6.5%)

(1) Includes gross premiums written of \$Nil assumed from the Insurance segment for the three months ended September 30, 2011 (2010 - \$9.9 million).

**Reinsurance Segment Gross Premiums Written** Gross premiums written in our Reinsurance segment increased by \$12.2 million, or 11.1%, to \$122.8 million in the third quarter of 2011, compared to \$110.6 million in the third quarter of 2010, primarily due to \$20.6 million of reinstatement premiums written during the third quarter of 2011. Excluding the impact of \$20.6 million and \$5.5 million of reinstatement premiums written in the third quarters of 2011 and 2010, respectively, gross premiums written decreased \$2.8 million, or 2.7%, in the third quarter of 2011. Our Reinsurance segment premiums are prone to significant volatility due to the timing of contract inception and also due to the business being characterized by a relatively small number of relatively large transactions.

**Reinsurance Segment Underwriting Results** Our Reinsurance segment generated underwriting income of \$95.1 million in the third quarter of 2011, compared to \$80.5 million of underwriting income in the third quarter of 2010, an increase of \$14.6 million. In the third quarter of 2011,

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our Reinsurance segment generated a net claims and claim expense ratio of 28.1%, an underwriting expense ratio of 26.2% and a combined ratio of 54.3%, compared to 35.3%, 25.5% and 60.8%, respectively, in the third quarter of 2010.

The \$14.6 million increase in underwriting income and 6.5 percentage point decrease in the combined ratio was principally due to a \$3.0 million increase in net premiums earned and a \$34.0 million decrease in current accident year losses, partially offset by a \$20.1 million decrease in favorable development on prior years reserves in the third quarter of 2011 compared to the third quarter of 2010. Impacting the underwriting results for our Reinsurance segment in the third quarter of 2011 was \$12.1 million of underwriting income from the large events occurring in the first and second quarters of 2011 (Australian Flooding, February 2011 New Zealand and Tohoku earthquakes)

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due primarily to net reductions in claims and claim expenses, and underwriting losses of \$30.1 million and \$22.2 million related to certain aggregate loss contracts and hurricane Irene, respectively, as detailed in the tables below:

Three months ended September 30, 2011 (in thousands of U.S. dollars, except ratios)	Large Events Occurring in Prior Periods					
	September 2010 New Zealand Earthquake	Tropical Cyclone Tasha	Australian Flooding	February 2011 New Zealand Earthquake	Tohoku Earthquake	Total
(Increase) decrease in net claims and claim expenses incurred	\$ (13,917)	\$ 11,020	\$ 22,970	\$ (40,987)	\$ 24,683	\$ 3,769
Assumed reinstatement premiums earned	2,623		(4,698)	14,959	2,238	15,122
Ceded reinstatement premiums earned				(1,187)	(6,867)	(8,054)
(Lost) earned profit commissions	(221)	1,071	488	583	(88)	1,833
<b>Net (negative) positive impact on underwriting result</b>	<b>\$ (11,515)</b>	<b>\$ 12,091</b>	<b>\$ 18,760</b>	<b>\$ (26,632)</b>	<b>\$ 19,966</b>	<b>\$ 12,670</b>
Percentage point impact on Reinsurance segment combined ratio	6.2	(5.8)	(9.8)	16.9	(10.4)	(4.7)
Decrease (increase) in current accident year net claims and claim expenses incurred	\$	\$	\$ 22,970	\$ (40,987)	\$ 24,683	\$ 6,666
(Adverse) favorable development in prior accident years net claims and claim expenses incurred	(13,917)	11,020				(2,897)
<b>(Increase) decrease in net claims and claim expenses incurred</b>	<b>\$ (13,917)</b>	<b>\$ 11,020</b>	<b>\$ 22,970</b>	<b>\$ (40,987)</b>	<b>\$ 24,683</b>	<b>\$ 3,769</b>

Three months ended September 30, 2011 (in thousands of U.S. dollars, except ratios)	Large Events Occurring in the Third Quarter of 2011		
	Aggregate Loss Contracts	Hurricane Irene	Total
Net claims and claim expenses incurred	\$ (30,090)	\$ (27,672)	\$ (57,762)
Reinstatement premiums earned		5,460	5,460
<b>Net negative impact on Reinsurance segment underwriting result</b>	<b>\$ (30,090)</b>	<b>\$ (22,212)</b>	<b>\$ (52,302)</b>
Net negative impact on catastrophe unit underwriting result	\$ (30,090)	\$ (22,212)	\$ (52,302)
Net negative impact on specialty unit underwriting result			
<b>Net negative impact on Reinsurance segment underwriting result</b>	<b>\$ (30,090)</b>	<b>\$ (22,212)</b>	<b>\$ (52,302)</b>
<b>Percentage point impact on Reinsurance segment combined ratio</b>	<b>14.5</b>	<b>12.2</b>	<b>27.0</b>

Current accident year net claims and claim expenses of \$106.3 million for the third quarter of 2010 included \$79.1 million of current accident year net claims and claim expenses related to the September 2010 New Zealand earthquake.

During the third quarter of 2011, we experienced favorable development on prior years reserves of \$13.8 million, compared to \$33.9 million in the third quarter of 2010, principally due to \$12.8 million of favorable development related to lower than expected claims emergence within the specialty unit and \$1.0 million of net favorable development within the catastrophe unit due to net reductions in estimated ultimate losses on certain specific events.

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We have entered into joint ventures and specialized quota share cessions of our book of business. In accordance with the joint venture and quota share agreements, we are entitled to certain profit commissions and fee income, subject to the terms of these agreements. We record these profit commissions and fees as a reduction in acquisition and operating expenses and, accordingly, these fees have generally reduced our underwriting expense ratios. These fees totaled \$14.6 million and \$11.3 million for the third quarters of 2011 and 2010, respectively, and resulted in a corresponding decrease to the Reinsurance segment underwriting expense ratio of 7.0% and 5.2% for the third quarters of 2011 and 2010, respectively. In addition, our agreements with DaVinci provide for certain fee income and profit commissions. Because the results of DaVinci, and its parent DaVinciRe, are consolidated in our results of operations, these fees and profit commissions are eliminated in our consolidated financial statements and are principally reflected in redeemable noncontrolling interest DaVinciRe. The net impact of all fees and profit commissions related to these joint ventures and specialized quota share cessions within our Reinsurance segment was \$23.6 million and \$19.8 million for the third quarters of 2011 and 2010, respectively.

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

Below is a summary of the underwriting results and ratios for our catastrophe unit:

## Catastrophe unit overview

Three months ended September 30, (in thousands of U.S. dollars, except ratios)	2011	2010	Change
<b>Property catastrophe gross premiums written</b>			
Renaissance	\$ 64,317	\$ 62,434	\$ 1,883
DaVinci	32,900	25,844	7,056
<b>Total property catastrophe gross premiums written (1)</b>	<b>\$ 97,217</b>	<b>\$ 88,278</b>	<b>\$ 8,939</b>
<b>Net premiums written</b>	<b>\$ 61,234</b>	<b>\$ 64,134</b>	<b>\$ (2,900)</b>
Net premiums earned	175,242	176,130	(888)
Net claims and claim expenses incurred	56,221	71,191	(14,970)
Acquisition expenses	17,149	18,962	(1,813)
Operational expenses	25,003	23,252	1,751
<b>Underwriting income</b>	<b>\$ 76,869</b>	<b>\$ 62,725</b>	<b>\$ 14,144</b>
<b>Net claims and claim expenses incurred - current accident year</b>	<b>\$ 57,242</b>	<b>\$ 87,178</b>	<b>\$ (29,936)</b>
Net claims and claim expenses incurred - prior accident years	(1,021)	(15,987)	14,966
<b>Net claims and claim expenses incurred - total</b>	<b>\$ 56,221</b>	<b>\$ 71,191</b>	<b>\$ (14,970)</b>
Net claims and claim expense ratio - current accident year	32.7%	49.5%	(16.8%)
Net claims and claim expense ratio - prior accident years	(0.6%)	(9.1%)	8.5%
Net claims and claim expense ratio - calendar year	32.1%	40.4%	(8.3%)
Underwriting expense ratio	24.0%	24.0%	0.0%
<b>Combined ratio</b>	<b>56.1%</b>	<b>64.4%</b>	<b>(8.3%)</b>

(1) Includes gross premiums written of \$Nil assumed from the Insurance segment for the three months ended September 30, 2011 (2010 - \$9.9 million).

**Catastrophe Reinsurance Gross Premiums Written** In the third quarter of 2011, our catastrophe reinsurance gross premiums written increased by \$8.9 million, or 10.1%, to \$97.2 million, compared to the third quarter of 2010. The increase is primarily due to \$20.6 million of reinstatement premiums written during the third quarter of 2011. Excluding the impact of \$20.6 million and \$5.5 million of reinstatement premiums written in the third quarters of 2011 and 2010, respectively, gross premiums written decreased \$6.1 million, or 7.4%, in the third quarter of 2011. Our property catastrophe reinsurance gross premiums written continue to be characterized by a large percentage of U.S. and Caribbean premium, as we have found business derived from exposures in Europe or the rest of the world to be, in general, less attractive on a risk-adjusted basis during recent periods. A significant amount of our U.S. and Caribbean premium provides coverage against windstorms,

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mainly U.S. Atlantic hurricanes, as well as earthquakes and other natural and man-made catastrophes.

*Catastrophe Reinsurance Underwriting Results* Our catastrophe unit generated underwriting income of \$76.9 million in the third quarter of 2011, compared to \$62.7 million in the third quarter of 2010, an increase of \$14.1 million. In the third quarter of 2011, our catastrophe unit generated a net claims and claim expense ratio of 32.1%, an underwriting expense ratio of 24.0% and a combined ratio of 56.1%, compared to 40.4%, 24.0% and 64.4%, respectively, in the third quarter of 2010.

The \$14.1 million increase in underwriting income and 8.3 percentage point decrease in the combined ratio was principally due to a \$29.9 million decrease in current accident year losses and partially offset by a \$15.0 million

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decrease in favorable development on prior years reserves in the third quarter of 2011, compared to the third quarter of 2010. Impacting the underwriting results for our catastrophe unit in the third quarter of 2011 was \$12.1 million of underwriting income from the large events occurring in the first and second quarters of 2011( Australian Flooding, February 2011 New Zealand and Tohoku earthquakes) due primarily to net reductions in claims and claim expenses, and underwriting losses of \$30.1 million and \$22.2 million related to certain aggregate loss contracts and hurricane Irene, respectively, as detailed in the tables below:

Three months ended September 30, 2011 (in thousands of U.S. dollars, except ratios)	Large Events Occurring in Prior Periods					Total
	September 2010 New Zealand	Tropical Cyclone Tasha	Australian Flooding	February 2011 New Zealand	Tohoku Earthquake	
(Increase) decrease in net claims and claim expenses incurred	\$ (13,917)	\$ 9,520	\$ 22,970	\$ (40,987)	\$ 24,683	\$ 2,269
Assumed reinstatement premiums earned	2,623		(4,698)	14,959	2,238	15,122
Ceded reinstatement premiums earned				(1,187)	(6,867)	(8,054)
(Lost) earned profit commissions	(221)	1,071	488	583	(88)	1,833
<b>Net (negative) positive impact on underwriting result</b>	<b>\$ (11,515)</b>	<b>\$ 10,591</b>	<b>\$ 18,760</b>	<b>\$ (26,632)</b>	<b>\$ 19,966</b>	<b>\$ 11,170</b>
Percentage point impact on catastrophe unit combined ratio	7.3	(6.1)	(11.6)	20.2	(12.3)	(4.8)
Decrease (increase) in current accident year net claims and claim expenses incurred	\$	\$	\$ 22,970	\$ (40,987)	\$ 24,683	\$ 6,666
(Adverse) favorable development in prior accident years net claims and claim expenses incurred	(13,917)	9,520				(4,397)
<b>(Increase) decrease in net claims and claim expenses incurred</b>	<b>\$ (13,917)</b>	<b>\$ 9,520</b>	<b>\$ 22,970</b>	<b>\$ (40,987)</b>	<b>\$ 24,683</b>	<b>\$ 2,269</b>

Three months ended September 30, 2011 (in thousands of U.S. dollars, except ratios)	Large Events Occurring in the Third Quarter of 2011		
	Aggregate Loss Contracts	Hurricane Irene	Total
Net claims and claim expenses incurred	\$ (30,090)	\$ (27,672)	\$ (57,762)
Reinstatement premiums earned		5,460	5,460
<b>Net negative impact on catastrophe unit underwriting result</b>	<b>\$ (30,090)</b>	<b>\$ (22,212)</b>	<b>\$ (52,302)</b>

Percentage point impact on catastrophe unit combined ratio 17.1 14.5 32.2  
 Current accident year net claims and claim expenses of \$87.2 million for the third quarter of 2010 included \$79.1 million of current accident year net claims and claim expenses related to the September 2010 New Zealand earthquake.

During the third quarter of 2011, we experienced \$1.0 million of net favorable development on prior accident year reserves, compared to \$16.0 million of net favorable development on prior accident years reserves in the third quarter of 2010. The favorable development in the third quarter of 2011 within the catastrophe unit is primarily due to reductions in estimated ultimate losses on certain specific events. The favorable development in the third quarter of 2010 was primarily related to decreases in estimated ultimate losses on certain specific events, including \$7.4 million related to the 2004 and 2005 hurricanes, and \$8.6 million due to better than expected claims emergence associated with a large number of relatively small catastrophes.



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

Below is a summary of the underwriting results and ratios for our specialty reinsurance unit:

## Specialty unit overview

Three months ended September 30, (in thousands of U.S. dollars, except ratios)	2011	2010	Change
<b>Specialty gross premiums written</b>			
Renaissance	\$ 25,614	\$ 21,363	\$ 4,251
DaVinci	(20)	936	(956)
<b>Total specialty gross premiums written</b>	<b>\$ 25,594</b>	<b>\$ 22,299</b>	<b>\$ 3,295</b>
<b>Net premiums written</b>	<b>\$ 25,511</b>	<b>\$ 22,175</b>	<b>\$ 3,336</b>
Net premiums earned	32,832	28,927	3,905
Net claims and claim expenses incurred	2,344	1,289	1,055
Acquisition expenses	4,815	3,502	1,313
Operational expenses	7,459	6,385	1,074
<b>Underwriting income</b>	<b>\$ 18,214</b>	<b>\$ 17,751</b>	<b>\$ 463</b>
<b>Net claims and claim expenses incurred - current accident year</b>	<b>\$ 15,116</b>	<b>\$ 19,166</b>	<b>\$ (4,050)</b>
Net claims and claim expenses incurred - prior accident years	(12,772)	(17,877)	5,105
<b>Net claims and claim expenses incurred - total</b>	<b>\$ 2,344</b>	<b>\$ 1,289</b>	<b>\$ 1,055</b>
Net claims and claim expense ratio - current accident year	46.0%	66.3%	(20.3%)
Net claims and claim expense ratio - prior accident years	(38.9%)	(61.8%)	22.9%
Net claims and claim expense ratio - calendar year	7.1%	4.5%	2.6%
Underwriting expense ratio	37.4%	34.1%	3.3%
<b>Combined ratio</b>	<b>44.5%</b>	<b>38.6%</b>	<b>5.9%</b>

**Specialty Reinsurance Gross Premiums Written** In the third quarter of 2011, our specialty reinsurance gross premiums written increased \$3.3 million, or 14.8%, to \$25.6 million, compared to \$22.3 million in the third quarter of 2010, primarily due to the inception of certain quota share contracts during the third quarter of 2011 which met our risk-adjusted return thresholds. Our specialty reinsurance premiums are prone to significant volatility as this business is characterized by a relatively small number of comparably large transactions.

**Specialty Reinsurance Underwriting Results** Our specialty unit generated \$18.2 million of underwriting income in the third quarter of 2011, compared to \$17.8 million in the third quarter of 2010, an increase of \$0.5 million, principally due to the increase in gross premiums written, noted above, and partially offset by increases in net claims and claim expenses incurred of \$1.1 million and underwriting expenses of \$2.4 million.

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In the third quarter of 2011, our specialty unit generated a net claims and claim expense ratio of 7.1%, an underwriting expense ratio of 37.4% and a combined ratio of 44.5%, compared to 4.5%, 34.1% and 38.6%, respectively, in the third quarter of 2010. The current accident year net claims and claim expenses ratio of 46.0%, decreased 20.3 percentage points principally due to the \$3.9 million increase in net premiums earned in the third quarter of 2011, compared to the third quarter of 2010, combined with a decrease of \$4.1 million in current accident year net claims and claim expenses in the third quarter of 2011. The favorable development on prior accident years in the third quarter of 2011 was primarily due to lower than expected claims emergence. In addition, underwriting expenses increased due to higher allocated operating expenses and a relative increase in contracts with higher acquisition expense ratios during the third quarter of 2011.

**Table of Contents****Lloyd's Segment**

Below is a summary of the underwriting results and ratios for our Lloyd's segment:

## Lloyd's segment overview

Three months ended September 30, (in thousands of U.S. dollars, except ratios)	2011	2010	Change
<b>Lloyd's gross premiums written</b>			
Specialty	\$ 14,290	\$ 8,851	\$ 5,439
Catastrophe	2,837	1,422	1,415
Insurance		(1,511)	1,511
<b>Total Lloyd's gross premiums written (1)</b>	<b>\$ 17,127</b>	<b>\$ 8,762</b>	<b>\$ 8,365</b>
 Net premiums written	 \$ 16,125	 \$ 6,141	 \$ 9,984
 Net premiums earned	 20,797	 13,979	 6,818
Net claims and claim expenses incurred	14,141	7,687	6,454
Acquisition expenses	4,013	3,351	662
Operational expenses	9,560	6,246	3,314
 <b>Underwriting loss</b>	 <b>\$ (6,917)</b>	 <b>\$ (3,305)</b>	 <b>\$ (3,612)</b>
 Net claims and claim expenses incurred - current accident year	 \$ 14,089	 \$ 7,702	 \$ 6,387
Net claims and claim expenses incurred - prior accident years	52	(15)	67
 Net claims and claim expenses incurred - total	 \$ 14,141	 \$ 7,687	 \$ 6,454
 Net claims and claim expense ratio - current accident year	 67.7%	 55.1%	 12.6%
Net claims and claim expense ratio - prior accident years	0.3%	(0.1%)	0.4%
 Net claims and claim expense ratio - calendar year	 68.0%	 55.0%	 13.0%
Underwriting expense ratio	65.3%	68.6%	(3.3%)
 <b>Combined ratio</b>	 <b>133.3%</b>	 <b>123.6%</b>	 <b>9.7%</b>

(1) Includes gross premiums written of \$Nil assumed from the Insurance segment for the three months ended September 30, 2011 (2010 - \$(1.5) million).

**Lloyd's Gross Premiums Written** Gross premiums written in our Lloyd's segment increased by \$8.4 million, or 95.5%, to \$17.1 million in the third quarter of 2011, compared to \$8.8 million in the third quarter of 2010, primarily due to Syndicate 1458 growing its book of business across the majority of its lines of business.

**Lloyd's Underwriting Results** Our Lloyd's segment incurred an underwriting loss of \$6.9 million and a combined ratio of 133.3% in the third quarter of 2011, compared to \$3.3 million and a combined ratio of 123.6%, in the third quarter of 2010. Included in net claims and claim

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expenses for the third quarter of 2011 are \$2.5 million of net claims and claim expenses related to hurricane Irene. Operational expenses increased \$3.3 million, to \$9.6 million in the third quarter of 2011, compared to the third quarter of 2010, and principally include compensation and related operating expenses. The decrease in the underwriting expense ratio to 65.3% in the third quarter of 2011, from 68.6% in the third quarter of 2010, was principally driven by the increase in net premiums earned, and partially offset by the increase in operational expenses, noted above.

**Table of Contents****Insurance Segment**

Below is a summary of the underwriting results and ratios for our Insurance segment:

## Insurance segment overview

Three months ended September 30, (in thousands of U.S. dollars, except ratios)	2011	2010	Change
Gross premiums written	\$	\$ 591	\$ (591)
Net premiums written	\$ 140	\$ (10,143)	\$ 10,283
Net premiums earned	\$ 353	\$ (6,681)	\$ 7,034
Net claims and claim expenses incurred	5,124	(2,231)	7,355
Acquisition expenses	80	328	(248)
Operational expenses	147	1,087	(940)
Underwriting loss	\$ (4,998)	\$ (5,865)	\$ 867
Net claims and claim expenses incurred - current accident year	\$ (17)	\$ 816	\$ (833)
Net claims and claim expenses incurred - prior years	5,141	(3,047)	8,188
Net claims and claim expenses incurred - total	\$ 5,124	\$ (2,231)	\$ 7,355
Net claims and claim expense ratio - current accident year	(4.8%)	(12.2%)	7.4%
Net claims and claim expense ratio - prior accident years	1,456.4%	45.6%	1410.8%
Net claims and claim expense ratio - calendar year	1,451.6%	33.4%	1418.2%
Underwriting expense ratio	64.3%	(21.2%)	85.5%
Combined ratio	1,515.9%	12.2%	1503.7%

Insurance policies and quota-share reinsurance contracts written in connection with our Bermuda-based insurance operations not sold to QBE are included in continuing operations and are reported in our Insurance segment. Although we are not actively underwriting new business in the Insurance segment at this time, we may from time to time evaluate potential new business opportunities for our Insurance segment. The adverse development on prior accident years of \$5.1 million in the third quarter of 2011 was principally due to the receipt of two large contractors liability claims during the quarter. As a result of these large claims received in the third quarter of 2011, our contractors liability book of business will be subject to a comprehensive actuarial review during the fourth quarter of 2011. The total gross reserve for claims and claim expenses for the contractors liability book of business at September 30, 2011 is \$48.9 million.

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**Net Investment (Loss) Income**

Three months ended September 30,	2011	2010	Ch
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