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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For The Quarterly Period Ended June 30, 2005  
Commission File No. 34-0-26512**

**RENAISSANCERE HOLDINGS LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or Other Jurisdiction of  
Incorporation or Organization)

**98-014-1974**

(I.R.S. Employer  
Identification Number)

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

(Address of principal executive offices)

**(441) 295-4513**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

The number of outstanding shares of RenaissanceRe Holdings Ltd.'s common shares, par value US \$1.00 per share, as of July 31, 2005 was 71,113,584.

Total number of pages in this report: 48

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**RenaissanceRe Holdings Ltd.**

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## PART I — FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS

#### RenaissanceRe Holdings Ltd. and Subsidiaries

##### Consolidated Balance Sheets

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

	At	
	June 30, 2005 (Unaudited)	December 31, 2004 (Audited)
<b>Assets</b>		
Fixed maturity investments available for sale, at fair value (Amortized cost \$3,196,215 and \$3,181,664 at June 30, 2005 and December 31, 2004, respectively)	\$ 3,218,715	\$ 3,223,292
Short term investments, at cost	687,356	608,292
Other investments, at fair value	838,199	684,590
Total managed investment portfolio	<u>4,744,270</u>	<u>4,516,174</u>
Equity investment in reinsurance company, at fair value (Cost \$84,199 at June 30, 2005 and December 31, 2004)	153,508	150,519
Investments in other ventures, under equity method	165,371	159,556
Total investments	<u>5,063,149</u>	<u>4,826,249</u>
Cash and cash equivalents	186,968	66,740
Premiums receivable	552,693	206,813
Ceded reinsurance balances	95,786	61,303
Losses recoverable	230,810	217,788
Accrued investment income	29,485	30,060
Deferred acquisition costs	119,932	70,933
Other assets	51,392	46,432
<b>Total assets</b>	<u>\$ 6,330,215</u>	<u>\$ 5,526,318</u>
<b>Liabilities, Minority Interest and Shareholders' Equity</b>		
<b>Liabilities</b>		
Reserve for claims and claim expenses	\$ 1,474,235	\$ 1,459,398
Reserve for unearned premiums	763,247	365,335
Debt	350,000	350,000
Subordinated obligation to capital trust	103,093	103,093
Reinsurance balances payable	326,887	188,564
Other liabilities	108,319	68,092
<b>Total liabilities</b>	<u>3,125,781</u>	<u>2,534,482</u>
Minority Interest — DaVinciRe	381,474	347,794
<b>Shareholders' Equity</b>		
Preference shares	500,000	500,000
Common shares and additional paid-in capital	337,675	328,896
Accumulated other comprehensive income	61,361	78,960
Retained earnings	<u>1,923,924</u>	<u>1,736,186</u>
<b>Total shareholders' equity</b>	<u>2,822,960</u>	<u>2,644,042</u>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<u>\$ 6,330,215</u>	<u>\$ 5,526,318</u>

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

**RenaissanceRe Holdings Ltd. and Subsidiaries**  
**Consolidated Statements of Income**  
**For the three and six months ended June 30, 2005 and 2004**  
(in thousands of United States Dollars, except per share amounts)  
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2005	June 30, 2004 (Restated)	June 30, 2005	June 30, 2004 (Restated)
<b>Revenues</b>				
Gross premiums written	\$ 443,483	\$ 326,876	\$ 1,137,816	\$ 1,107,164
Net premiums written	\$ 387,889	\$ 285,925	\$ 1,003,682	\$ 986,144
Decrease (increase) in unearned premiums	(49,136)	63,077	(363,428)	(329,050)
Net premiums earned	338,753	349,002	640,254	657,094
Net investment income	45,769	29,833	96,984	64,883
Net foreign exchange gains	7,134	786	7,848	2,873
Equity in earnings of other ventures	7,798	4,923	15,365	11,443
Other income (loss)	3,205	(689)	(310)	420
Net realized gains (losses) on investments	1,583	(26,920)	(8,606)	5,601
<b>Total revenues</b>	<b>404,242</b>	<b>356,935</b>	<b>751,535</b>	<b>742,314</b>
<b>Expenses</b>				
Net claims and claim expenses incurred	108,799	120,737	310,447	232,915
Acquisition expenses	45,574	64,047	97,082	122,078
Operational expenses	23,377	16,502	42,220	28,878
Corporate expenses	8,694	4,986	20,033	9,538
Interest expense	6,967	6,334	13,572	12,605
<b>Total expenses</b>	<b>193,411</b>	<b>212,606</b>	<b>483,354</b>	<b>406,014</b>
Income before minority interest and taxes	210,831	144,329	268,181	336,300
Minority interest — DaVinciRe	30,283	14,492	34,667	32,482
Income taxes	—	—	—	—
<b>Net income</b>	<b>180,548</b>	<b>129,837</b>	<b>233,514</b>	<b>303,818</b>
Dividends on preference shares	8,566	8,609	17,229	13,713
<b>Net income available to common shareholders</b>	<b>\$ 171,982</b>	<b>\$ 121,228</b>	<b>\$ 216,285</b>	<b>\$ 290,105</b>
Net income available to common shareholders per Common Share — basic	\$ 2.44	\$ 1.74	\$ 3.07	\$ 4.17
Net income available to common shareholders per Common Share — diluted	\$ 2.39	\$ 1.69	\$ 3.00	\$ 4.05

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

**RenaissanceRe Holdings Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the six months ended June 30, 2005 and 2004**  
(in thousands of United States Dollars)  
(Unaudited)

	Six months ended	
	June 30, 2005	June 30, 2004 (Restated)
<b>Preference shares</b>		
Balance — January 1	\$ 500,000	\$ 250,000
Issuance of Preference Shares	—	250,000
Balance — June 30	500,000	500,000
<b>Common stock and additional paid-in capital</b>		
Balance — January 1	328,896	314,414
Exercise of options, and issuance of restricted stock awards	8,779	2,620
Offering expenses	—	(8,182)

Balance — June 30	337,675	308,852
<b>Accumulated other comprehensive income</b>		
Balance — January 1	78,960	113,382
Net unrealized losses on securities, net of adjustment (see disclosure below)	(17,599)	(38,214)
Balance — June 30	61,361	75,168
<b>Retained earnings</b>		
Balance — January 1	1,736,186	1,656,847
Net income	233,514	303,818
Dividends paid on Common Shares	(28,547)	(26,743)
Dividends paid on Preference Shares	(17,229)	(13,713)
Balance — June 30	1,923,924	1,920,209
Total Shareholders' Equity	<u>\$ 2,822,960</u>	<u>\$ 2,804,229</u>
<b>Comprehensive income</b>		
Net income	\$ 233,514	\$ 303,818
Other comprehensive loss	(17,599)	(38,214)
Comprehensive income	<u>\$ 215,915</u>	<u>\$ 265,604</u>
<b>Disclosure regarding net unrealized losses</b>		
Net unrealized holding losses arising during period	\$ (26,205)	\$ (32,613)
Net realized losses (gains) included in net income	8,606	(5,601)
Change in net unrealized losses on securities	<u>\$ (17,599)</u>	<u>\$ (38,214)</u>

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

**RenaissanceRe Holdings Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2005 and 2004**  
(in thousands of United States Dollars)  
(Unaudited)

	<u>Six months ended</u>	
	<u>June 30, 2005</u>	<u>June 30, 2004</u> (Restated)
<b>Cash flows provided by operating activities</b>		
Net income	\$ 233,514	\$ 303,818
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Amortization and depreciation	5,575	9,407
Net realized investment losses (gains)	8,606	(5,601)
Equity in undistributed earnings of other ventures	1,875	(11,443)
Net unrealized gains included in investment income	(9,435)	(4,906)
Net unrealized losses included in other income	2,090	537
Minority interest in undistributed net income of DaVinciRe	34,667	32,482
Change in:		
Premiums receivable	(345,880)	(236,680)
Ceded reinsurance balances	(34,483)	(17,734)
Deferred acquisition costs	(48,999)	(32,457)
Reserve for claims and claim expenses, net	1,815	181,413
Reserve for unearned premiums	397,912	346,784
Reinsurance balances payable	138,323	(60,169)
Other	39,815	14,788
<b>Net cash provided by operating activities</b>	<u>425,395</u>	<u>520,239</u>
<b>Cash flows used in investing activities</b>		
Proceeds from sales of investments available for sale	13,353,812	8,885,301
Purchases of investments available for sale	(13,379,965)	(8,931,712)
Net purchases of short term investments	(79,064)	(348,447)
Net purchases of other investments	(144,174)	(129,736)
Net purchases of investments in other ventures	(10,000)	(125,479)
<b>Net cash used in investing activities</b>	<u>(259,391)</u>	<u>(650,073)</u>
<b>Cash flows (used in) provided by financing activities</b>		

Dividends paid — common shares	(28,547)	(26,743)
Dividends paid — preference shares	(17,229)	(13,713)
Issuance of preference shares, net of expenses	—	242,259
DaVinciRe share repurchase	—	(61,236)
<i>Net cash (used in) provided by financing activities</i>	<u>(45,776)</u>	<u>140,567</u>
<i>Net increase in cash and cash equivalents</i>	120,228	10,733
<i>Cash and cash equivalents, beginning of period</i>	66,740	63,397
<i>Cash and cash equivalents, end of period</i>	<u>\$ 186,968</u>	<u>\$ 74,130</u>

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

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**RenaissanceRe Holdings Ltd. and Subsidiaries**  
**Notes to Unaudited Consolidated Financial Statements**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

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

- RenaissanceRe Holdings Ltd. ("RenaissanceRe" or the "Company"), was formed under the laws of Bermuda on June 7, 1993. Through its subsidiaries, the Company provides reinsurance and insurance to a broad range of customers.
- Renaissance Reinsurance Ltd. ("Renaissance Reinsurance") is the Company's principal subsidiary and provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.
- The Company, through its Ventures business unit, also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, principally including Top Layer Reinsurance Ltd. ("Top Layer Re"), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. ("DaVinci"). The results of DaVinci, and the results of DaVinci's parent, DaVinciRe Holdings Ltd. ("DaVinciRe"), are consolidated in the Company's financial statements. Renaissance Underwriting Managers Ltd., a wholly-owned subsidiary, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.
- The Company's Individual Risk operations include direct insurance and quota share reinsurance written through the operating subsidiaries of Glencoe Group Holdings Ltd. ("Glencoe Group"). These operating subsidiaries principally include Stonington Insurance Company ("Stonington"), which writes business on an admitted basis, and Glencoe Insurance Ltd. ("Glencoe") and Lantana Insurance Ltd. ("Lantana"), which write business on an excess and surplus lines basis, and also provide reinsurance coverage, principally through quota share contracts, which are analyzed on an individual risk basis.

The Company owns a minority equity interest in, but controls a majority of the outstanding voting power of, DaVinciRe. Minority interests represent the interests of external parties with respect to net income and shareholders' equity of DaVinciRe. The Company also invests in certain other investments, including an investment in ChannelRe Holdings Ltd. ("Channel Re"), which is recorded using the equity method, and an investment in Platinum Underwriters Holdings, Ltd. ("Platinum"), which is publicly traded and recorded at fair value.

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will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

2. During the fourth quarter of 2004 the Company discovered errors in the timing of the recognition of premium on multi-year ceded reinsurance contracts which affected the first three quarters of 2004. Although these errors were not material to the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004, the reversal of the errors was material to the quarter ended December 31, 2004 and, therefore, the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004, have been adjusted from the previously reported amounts to report the premium in the correct quarters, as disclosed in Note 21, Quarterly Financial Results (Unaudited), to the consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Certain amounts in this Form 10-Q have been restated to reflect the changes from the amounts reported in the Company's Form 10-Q for the quarterly period ended June 30, 2004.
3. The Company purchases reinsurance to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses from reinsurers in excess of various retentions. The Company would remain liable to the extent that any third-party reinsurer or other obligor fails to meet its obligations. The earned reinsurance premiums ceded were \$99.7 million and \$111.8 million for the six month periods ended June 30, 2005 and 2004, respectively. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for recoveries of additional premiums, reinstatement premiums and for lost no claims bonuses, which are incurred when losses are ceded to other reinsurance contracts. Total recoveries netted against claims and claim expenses incurred for the six months ended June 30, 2005 were \$12.9 million compared to \$18.3 million for the six months ended June 30, 2004.
4. Basic earnings per share is based on weighted average common shares and excludes any dilutive effects of stock options and restricted stock. Diluted earnings per share assumes the exercise of all dilutive stock options and restricted stock grants. The following tables set forth the computation of basic and diluted earnings per share:

<u>Three months ended June 30,</u> (in thousands of U.S. dollars except share and per share data)	<u>2005</u>	<u>2004</u> (Restated)
Numerator:		
Net income available to common shareholders	\$ 171,982	\$ 121,228
Denominator:		
Denominator for basic earnings per common share —		
Weighted average common shares	70,585,079	69,663,586
Per common share equivalents of employee stock options and restricted shares	<u>1,431,104</u>	<u>2,019,615</u>
Denominator for diluted earnings per common share —		
Adjusted weighted average common shares and assumed conversions	<u>72,016,183</u>	<u>71,683,201</u>
Basic earnings per common share	\$ 2.44	\$ 1.74
Diluted earnings per common share	\$ 2.39	\$ 1.69

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<u>Six months ended June 30,</u> (in thousands of U.S. dollars except share and per share data)	<u>2005</u>	<u>2004</u> (Restated)
Numerator:		
Net income available to common shareholders	\$ 216,285	\$ 290,105
Denominator:		
Denominator for basic earnings per common share —		
Weighted average common shares	70,471,604	69,553,758
Per common share equivalents of employee stock options and restricted shares	<u>1,511,822</u>	<u>2,083,785</u>
Denominator for diluted earnings per common share — Adjusted weighted average common shares and assumed conversions		
	<u>71,983,426</u>	<u>71,637,543</u>
Basic earnings per common share	\$ 3.07	\$ 4.17
Diluted earnings per common share	\$ 3.00	\$ 4.05

5. The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of \$0.20 per share to shareholders of record on each of March 15 and June 15, 2005.

The Board of Directors has authorized a share repurchase program of \$150 million. RenaissanceRe's decision to repurchase common shares will depend on, among other matters, the market price of the common shares and capital requirements of RenaissanceRe. See "Part II – Other Information – Item 2."

6. Effective January 1, 2003, the Company adopted the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), for all stock-based employee compensation granted, modified or settled after January 1, 2003 under the prospective method described in FASB Statement No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("FAS 148"). Under the fair value recognition provisions of FAS 123, the Company estimates the fair value of employee stock options and other stock-based compensation on the date of grant and amortizes this value as an expense over the service period.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted to employees and expects to continue to use this acceptable option valuation model upon the required adoption of FASB Statement No. 123 (revised 2004), "Share-Based Payment" ("FAS 123(R)") on January 1, 2006. Because FAS 123(R) must be applied not only to new awards but also to previously granted awards that are not fully vested on the effective date, and because the Company adopted FAS 123 using the prospective transition method (which applied only to awards granted, modified or settled after the adoption date), compensation costs for some previously granted awards that were not recognized under FAS 123 will be recognized under FAS 123(R). The Company estimates that the additional compensation expense related to unvested grants that were issued prior to January 1, 2003 will not be material upon adoption of FAS 123(R). Had the Company adopted FAS 123(R) in prior periods, the impact of that standard would have approximated the impact of FAS 123 as described in the transitional disclosure provisions of FAS 148. In accordance with the transitional disclosure provisions of FAS 148, the following table sets out the effect on the Company's net income and earnings per share for all reported periods had the compensation cost been calculated based upon the fair value method recommended in FAS 123:

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<u>Three months ended June 30,</u> (in thousands of U.S. dollars, except per share data)	<u>2005</u>	<u>2004</u> (Restated)
Net income available to common shareholders, as reported	\$ 171,982	\$ 121,228
Add: stock based employee compensation cost included in determination of net income	5,120	3,906
Deduct: fair value compensation cost under FAS 123	<u>(5,498)</u>	<u>(4,532)</u>
Pro-forma net income	<u>\$ 171,604</u>	<u>\$ 120,602</u>
<u>Earnings per share</u>		
Basic — as reported	\$ 2.44	\$ 1.74
Basic — pro-forma	\$ 2.43	\$ 1.73
Diluted — as reported	\$ 2.39	\$ 1.69
Diluted — pro-forma	\$ 2.38	\$ 1.68
<u>Six months ended June 30,</u> (in thousands of U.S. dollars, except per share data)	<u>2005</u>	<u>2004</u> (Restated)
Net income available to common shareholders, as reported	\$ 216,285	\$ 290,105
Add: stock based employee compensation cost included in determination of net income	10,190	7,366
Deduct: fair value compensation cost under FAS 123	<u>(10,996)</u>	<u>(9,025)</u>
Pro-forma net income	<u>\$ 215,479</u>	<u>\$ 288,446</u>
<u>Earnings per share</u>		
Basic — as reported	\$ 3.07	\$ 4.17
Basic — pro-forma	\$ 3.06	\$ 4.15
Diluted — as reported	\$ 3.00	\$ 4.05
Diluted — pro-forma	\$ 2.99	\$ 4.03

7. We conduct our business through two reportable segments, Reinsurance and Individual Risk. Our Reinsurance segment provides reinsurance through our property catastrophe reinsurance and specialty reinsurance business units and through joint ventures and other activities managed by Ventures. Only Ventures' business activities that appear in our consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in our Reinsurance segment results. The results of Top Layer Re, Channel Re and Platinum are included in the Other category of our segment results.

Our Individual Risk segment provides primary insurance and quota share reinsurance. The Company does not manage its assets by segment; accordingly, net investment income and total assets are not allocated to the individual segments.

A summary of the significant components of our revenues and expenses for the three and six month periods ended June 30, 2005 and 2004 is as follows:

<b>Three months ended June 30, 2005</b> (in thousands of U.S. dollars)	<b>Reinsurance</b>	<b>Individual Risk</b>	<b>Other</b>	<b>Total</b>
Gross premiums written (1)	\$223,339	\$ 220,144	\$ —	\$443,483
Net premiums written	<u>\$184,477</u>	<u>\$ 203,412</u>	—	<u>\$387,889</u>
Net premiums earned	\$206,651	\$ 132,102	—	\$338,753
Net claims and claim expenses incurred	26,117	82,682	—	108,799
Acquisition expenses	13,273	32,301	—	45,574
Operational expenses	17,384	5,993	—	23,377
Underwriting income	<u>\$149,877</u>	<u>\$ 11,126</u>	—	161,003
Net investment income			45,769	45,769
Equity in earnings of other ventures			7,798	7,798
Other income			3,205	3,205
Interest and preference share dividends			(15,533)	(15,533)
Minority interest — DaVinciRe			(30,283)	(30,283)
Other items, net			(1,560)	(1,560)
Net realized gains on investments			1,583	1,583
Net income available to common shareholders			<u>\$ 10,979</u>	<u>\$171,982</u>
Net claims and claim expenses incurred — current accident year	\$ 91,845	\$ 82,020		\$173,865
Net claims and claim expenses incurred — prior years	(65,728)	662		(65,066)
Net claims and claim expenses incurred — total	<u>\$ 26,117</u>	<u>\$ 82,682</u>		<u>\$108,799</u>
Net claims and claim expense ratio — accident year	<u>44.4%</u>	<u>62.1%</u>		<u>51.3%</u>
Net claims and claim expense ratio — calendar year	12.6%	62.6%		32.1%
Underwriting expense ratio	14.8%	29.0%		20.4%
Combined ratio	<u>27.4%</u>	<u>91.6%</u>		<u>52.5%</u>

(1) Reinsurance segment gross premiums written excludes \$1.7 million of premiums assumed from the Individual Risk segment.

<b>Three months ended June 30, 2004 (Restated)</b> (in thousands of U.S. dollars)	<b>Reinsurance</b>	<b>Individual Risk</b>	<b>Other</b>	<b>Total</b>
Gross premiums written	\$215,284	\$ 111,592	\$ —	\$326,876
Net premiums written	<u>\$176,245</u>	<u>\$ 109,680</u>	—	<u>\$285,925</u>
Net premiums earned	\$240,880	\$ 108,122	—	\$349,002
Net claims and claim expenses incurred	65,016	55,721	—	120,737
Acquisition expenses	27,936	36,111	—	64,047
Operational expenses	10,624	5,878	—	16,502
Underwriting income	<u>\$137,304</u>	<u>\$ 10,412</u>	—	147,716
Net investment income			29,833	29,833
Equity in earnings of other ventures			4,923	4,923
Other loss			(689)	(689)
Interest and preference share dividends			(14,943)	(14,943)
Minority interest — DaVinciRe			(14,492)	(14,492)
Other items, net			(4,200)	(4,200)
Net realized losses on investments			(26,920)	(26,920)
Net income available to common shareholders			<u>\$(26,488)</u>	<u>\$121,228</u>
Net claims and claim expenses incurred — current accident year	\$ 92,375	\$ 58,060		\$150,435
Net claims and claim expenses incurred — prior years	(27,359)	(2,339)		(29,698)
Net claims and claim expenses incurred — total	<u>\$ 65,016</u>	<u>\$ 55,721</u>		<u>\$120,737</u>
Net claims and claim expense ratio — accident year	<u>38.3%</u>	<u>53.7%</u>		<u>43.1%</u>



Net claims and claim expense ratio — calendar year	27.0%	51.5%	34.6%
Underwriting expense ratio	16.0%	38.8%	23.1%
Combined ratio	<u>43.0%</u>	<u>90.3%</u>	<u>57.7%</u>

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<u>Six months ended June 30, 2005</u> (in thousands of U.S. dollars)	<u>Reinsurance</u>	<u>Individual Risk</u>	<u>Other</u>	<u>Total</u>
Gross premiums written (1)	\$808,623	\$ 329,193	\$ —	\$1,137,816
Net premiums written	\$712,610	\$ 291,072	—	\$1,003,682
Net premiums earned	\$407,021	\$ 233,233	—	\$ 640,254
Net claims and claim expenses incurred	168,061	142,386	—	310,447
Acquisition expenses	33,811	63,271	—	97,082
Operational expenses	31,611	10,609	—	42,220
Underwriting income	<u>\$173,538</u>	<u>\$ 16,967</u>	—	190,505
Net investment income			96,984	96,984
Equity in earnings of other ventures			15,365	15,365
Other loss			(310)	(310)
Interest and preference share dividends			(30,801)	(30,801)
Minority interest — DaVinciRe			(34,667)	(34,667)
Other items, net			(12,185)	(12,185)
Net realized losses on investments			(8,606)	(8,606)
Net income available to common shareholders			<u>\$ 25,780</u>	<u>\$ 216,285</u>
Net claims and claim expenses incurred — current accident year	\$251,881	\$ 141,222		\$ 393,103
Net claims and claim expenses incurred — prior years	(83,820)	1,164		(82,656)
Net claims and claim expenses incurred — total	<u>\$168,061</u>	<u>\$ 142,386</u>		<u>\$ 310,447</u>
Net claims and claim expense ratio — accident year	<u>61.9%</u>	<u>60.5%</u>		<u>61.4%</u>
Net claims and claim expense ratio — calendar year	41.3%	61.0%		48.5%
Underwriting expense ratio	16.1%	31.7%		21.8%
Combined ratio	<u>57.4%</u>	<u>92.7%</u>		<u>70.3%</u>

(1) Reinsurance segment gross premiums written excludes \$13.2 million of premiums assumed from the Individual Risk segment.

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<u>Six months ended June 30, 2004 (Restated)</u> (in thousands of U.S. dollars)	<u>Reinsurance</u>	<u>Individual Risk</u>	<u>Other</u>	<u>Total</u>
Gross premiums written	\$875,634	\$ 231,530	\$ —	\$1,107,164
Net premiums written	\$766,681	\$ 219,463	—	\$ 986,144
Net premiums earned	\$448,196	\$ 208,898	—	\$ 657,094
Net claims and claim expenses incurred	123,555	109,360	—	232,915
Acquisition expenses	51,747	70,331	—	122,078
Operational expenses	16,750	12,128	—	28,878
Underwriting income	<u>\$256,144</u>	<u>\$ 17,079</u>	—	273,223
Net investment income			64,883	64,883
Equity in earnings of other ventures			11,443	11,443
Other income			420	420
Interest and preference share dividends			(26,318)	(26,318)
Minority interest — DaVinciRe			(32,482)	(32,482)
Other items, net			(6,665)	(6,665)
Net realized gains on investments			5,601	5,601
Net income available to common shareholders			<u>\$ 16,882</u>	<u>\$ 290,105</u>
Net claims and claim expenses incurred — current accident year	\$167,785	\$ 116,517		\$ 284,302

Net claims and claim expenses incurred — prior years	(44,230)	(7,157)	(51,387)
Net claims and claim expenses incurred — total	<u>\$123,555</u>	<u>\$ 109,360</u>	<u>\$ 232,915</u>
Net claims and claim expense ratio — accident year	<u>37.4%</u>	<u>55.8%</u>	<u>43.3%</u>
Net claims and claim expense ratio — calendar year	27.6%	52.4%	35.4%
Underwriting expense ratio	15.3%	39.5%	23.0%
Combined ratio	<u>42.9%</u>	<u>91.9%</u>	<u>58.4%</u>

8. In the first quarter of 2005, the Company made a \$10.0 million equity investment in Tower Hill Holdings Inc. ("Tower Hill"), which is accounted for under the equity method of accounting, and a \$5.0 million loan to Tower Hill Insurance Group ("Tower Hill Insurance"), a managing general agency under common ultimate ownership with Tower Hill. The Company has entered into reinsurance agreements with certain subsidiaries of Tower Hill and has also entered into reinsurance agreements with respect to business produced by Tower Hill Insurance. During the first six months of 2005 and 2004, gross written premiums assumed from Tower Hill and its subsidiaries and produced by Tower Hill Insurance and its affiliates totaled \$42.1 million and \$38.6 million, respectively, gross earned premiums assumed totaled \$45.6 million and \$44.3 million, respectively, and commissions incurred were \$13.6 million and \$13.2 million, respectively. The Company had a net related outstanding payable balance of \$3.4 million as of June 30, 2005.

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

The following is a discussion and analysis of our results of operations for the three and six months ended June 30, 2005 and 2004 and financial condition as of June 30, 2005. This discussion and analysis should be read in conjunction with the attached unaudited consolidated financial statements and notes thereto and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004. We also caution readers regarding certain forward-looking statements made in this 10-Q and direct readers to the Safe Harbor Disclosure included in this filing.

### GENERAL

RenaissanceRe was established in 1993 to write property catastrophe reinsurance. By pioneering the use of sophisticated computer models to construct our portfolio, we have become one of the world's largest and most successful catastrophe reinsurers. Recently, we have leveraged our expertise and have established additional franchises in other selected areas of insurance and reinsurance.

Since a substantial portion of the reinsurance and insurance we write provides protection from damages relating to natural and man-made catastrophes, our results depend to a large extent on the frequency and severity of such catastrophic events, and the coverages we offer to clients affected by these events.

Our revenues are principally derived from three sources: 1) net premiums earned from the reinsurance and insurance policies we sell; 2) net investment income and realized gains and losses 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 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) operational expenses which primarily consist of personnel expenses, rent and other operating expenses; 4) corporate expenses which primarily include certain executive and legal expenses and the costs of operating as a public company; and 5) interest and dividend costs related to our debt, preference shares and subordinated obligation to our capital trust. We are also subject to taxes in certain jurisdictions in which we operate; however, since the majority of our income is currently earned in Bermuda, a non-taxable jurisdiction, the tax impact to our operations has historically been minimal.

The operational 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 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 years, divided by net premiums earned.

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

#### *Reinsurance*

Our Reinsurance segment has three main components:

- 1) Property catastrophe reinsurance written for our own account and DaVinci — our traditional core business. Our subsidiary Renaissance Reinsurance is one of the world's premier

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providers of this coverage. 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, tornadoes and explosions. 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 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 in the first six months of 2005 includes various classes of business, such as catastrophe exposed workers' compensation, surety, terrorism and medical malpractice. We believe that we are seen as a market leader in certain of these classes of business, such as catastrophe exposed workers' compensation, surety and terrorism, and that we have a growing reputation as a "first call" market for these products.
- 3) Through Ventures, we pursue joint ventures and other strategic relationships. Our three principal business activities in this area are: 1) catastrophe-oriented joint ventures which we manage, such as Top Layer Re and DaVinci; 2) customized reinsurance transactions, such as offering participations in our catastrophe portfolio; and 3) investments in other market participants, such as our investments in Channel Re and Platinum, and other activities which are directed at non-catastrophe classes of risk. Only business activities that appear in our consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in our Reinsurance segment results; the results of Top Layer Re, Channel Re and Platinum are included in the Other category of our segment results.

#### *Individual Risk*

We define our Individual Risk segment to include underwriting that involves understanding the characteristics of the original underlying insurance policy. Our principal products include: 1) commercial and homeowners property coverages, including catastrophe-exposed products; 2) commercial liability coverages, including general, automobile, professional and various specialty products; and 3) reinsurance of other insurers on a quota share basis.

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

Our Individual Risk business is written by the Glencoe Group through its operating subsidiaries Glencoe and Lantana, which write on an excess and surplus lines basis, and through Stonington, which writes on an admitted basis. As noted above, we rely on third parties for services including the generation of premium, the issuance of policies and the processing of claims. We actively oversee our third-party partners through an operations review team at Glencoe Group Services Inc., which conducts initial due diligence as well as ongoing monitoring.

#### *New Business*

In addition to our existing reinsurance and insurance businesses, from time to time, we consider opportunistic diversification into new ventures, either through organic growth, the formation of new joint ventures, or the acquisition of other companies or books of business of other companies. This potential diversification includes opportunities to write targeted classes of non-catastrophe business, both directly for our own account and through possible new joint venture opportunities.

In evaluating such new ventures, we seek an attractive return on equity, the ability to develop or capitalize on a competitive advantage, and opportunities that will not detract from our core Reinsurance and Individual Risk operations. Accordingly, we regularly review strategic opportunities

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and periodically engage in discussions regarding possible transactions, although there can be no assurance that we will complete any such transactions or that any such transaction would contribute materially to our results of operations or financial condition.

#### *Modeling*

We have developed a proprietary, computer-based pricing and exposure management system, Renaissance Exposure Management System (REMS<sup>®</sup>). REMS<sup>®</sup> has analytic and modeling capabilities that help us to assess the risk and return of each incremental reinsurance contract in relation to our overall portfolio of reinsurance contracts. Before we bind any risk, exposure data is gathered from clients and this exposure data is input into our REMS<sup>®</sup> modeling system. The REMS<sup>®</sup> modeling system enables us to measure each policy on a consistent basis

and provides us with a measurement of an appropriate price to charge for each policy based upon the risk that is assumed. We combine the analyses generated by REMS<sup>®</sup> with other information available to us, including our own knowledge of the client submitting the proposed program. While REMS<sup>®</sup> is most developed in analyzing catastrophe risks, it is also used for analyzing other classes of risk.

REMS<sup>®</sup> combines computer-generated simulations that estimate event probabilities with exposure and coverage information on each client's reinsurance contract to produce an estimate of expected claims for reinsurance programs submitted to us. We have also customized REMS<sup>®</sup> by including additional perils, risks and geographic areas that are not captured in the commercially available models.

## SUMMARY OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### Claims and Claim Expense Reserves

We believe that the most significant accounting judgment made by management is our estimate of claims and claim expense reserves. Claims reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs of claims incurred. Our estimates are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors such as inflation. It is likely that the ultimate liability will be greater or less than such estimates and that, at times, this variance will be material. Also, reserving for our Reinsurance and Individual Risk businesses can involve uncertainty because of the dependence on information from ceding companies, the time lag inherent in reporting information from the primary insurer to us, and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information can be received on a monthly, quarterly or transactional basis and normally includes estimates of paid and incurred losses and may sometimes also include an estimate of incurred but not reported reserves ("IBNR").

For our property catastrophe reinsurance business, which is characterized by loss events of low frequency and high severity, reporting of claims in general tends to be prompt (as compared to reporting of claims for "long-tail" products, which tends to be slower). However, the timing of claims reporting also varies depending on various factors, including: whether the claims arise under reinsurance of primary companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes or earthquakes); the geographic area involved; and the quality of each customer's claims management and reserving practices. Management's judgments regarding these factors are reflected in management's reserve estimates. Because the events from which claims arise under policies written by our property catastrophe reinsurance business are typically prominent, public occurrences such as hurricanes and earthquakes, we are often able to use independent reports of such events to augment our loss reserve estimation process. However, based upon the amount and timing of the reported claims from any one or more catastrophic events, such reserve estimates may change significantly from one quarter to another. Once we receive a notice of loss under a catastrophe reinsurance contract, we are generally able to process such claims promptly.

For our property catastrophe reinsurance operations, we initially set our claims reserves based on case reserves reported by insureds and ceding companies. We then add to these case reserves our estimates

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for additional case reserves, and an estimate for IBNR. In addition to the loss information and estimates communicated by cedants, we also use industry information which we gather and retain in our REMS<sup>®</sup> modeling system. When property catastrophe losses do occur, the information stored in our REMS<sup>®</sup> modeling system enables us to analyze each of our policies against such loss and compare our estimate of the loss with those reported by our policyholders. The REMS<sup>®</sup> modeling system also allows us to compare and analyze individual losses reported by policyholders affected by the same loss event. Although the REMS<sup>®</sup> modeling system assists with the analysis of the underlying loss, and provides us with the information and ability to perform increased analysis, the estimation of claims resulting from catastrophic events is inherently difficult because of the variability and uncertainty associated with property catastrophe claims and the unique characteristics of each loss. During 2003, with the accumulation of 10 years of historical information on our claims and claim expenses, we adopted a new system to reassess our property catastrophe reserves on our older accident years.

Since 2003 our Individual Risk segment has been issuing insurance policies for certain commercial liability coverages, including general, automobile and professional liability risks. The claim reporting and claim development periods of these risks are generally expected to be longer than the reporting and development periods for our property risks, and accordingly there is normally greater uncertainty in the estimation of the reserves associated with these policies.

The loss estimation for the coverages we offer through our specialty reinsurance and Individual Risk operations is different than that for property catastrophe oriented coverages and these coverages are potentially subject to greater uncertainties, relating to factors such as long-term inflation and changes in the social and legal environment. Moreover, in reserving for our specialty reinsurance and Individual Risk coverages we do not have the benefit of a significant amount of our own historical experience in these lines. We estimate our IBNR for these coverages by utilizing an actuarial method known as the Bornhuetter-Ferguson technique. The utilization of the Bornhuetter-Ferguson technique requires us to estimate an ultimate claims and claim expense ratio and select an estimated loss reporting pattern. We select our estimates of the ultimate claims and claim expense ratios and estimated loss reporting patterns by reviewing industry standards and adjusting these standards based upon the terms of the coverages we offer. The estimated claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern. For the Company's specialty and Individual Risk lines we also considered estimating reserves utilizing paid and incurred development methods. We elected to use the Bornhuetter-Ferguson technique because this

method allows for weight to be applied to expected results, and hence is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of paid and/or reported loss data.

The Company's reserving methodology for each line of business, as discussed above, uses a loss reserving model that calculates a point estimate for the Company's ultimate losses as opposed to a methodology that develops a range of estimates. The Company then uses this point estimate, along with paid and incurred data, to record its estimate of IBNR. The Company does not use sensitivity analysis in calculating reserves and therefore does not make any specific quantitative assumptions in connection with such an analysis. See "Reserves for Claims and Claim Expenses" for a breakdown of our case reserves and IBNR by line of business.

Because any reserve estimate is simply an insurer's estimate of its ultimate liability, and because there are numerous factors which affect reserves but cannot be determined with certainty in advance, our ultimate payments will vary, perhaps materially, from our initial estimate of reserves. Therefore, because of these inherent uncertainties, we have developed a reserving philosophy which attempts to incorporate prudent assumptions and estimates. During the remainder of 2005, assuming future reported and paid claims activity is consistent with that of recent quarters, and barring unforeseen circumstances, we believe that, as our reserves on older accident years continue to age, we may experience further reductions to our older accident year reserves.

All of our estimates are reviewed annually with an independent actuarial firm. We also review certain assumptions and methodologies on a quarterly basis. If we determine that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the quarter in which they are identified.

Adjustments to our prior year estimated claims reserves will impact our current year net income by increasing our net income if the prior year estimated claims reserves are determined to be overstated, or by reducing our net income if the prior year estimated claims reserves prove to be insufficient. During the six months ended June 30, 2005 and 2004, changes to prior year estimated claims reserves had the following impact: during the first six months of 2005, prior year estimated claims reserves were reduced by \$82.7 million and during the first six months of 2004, prior year estimated claims reserves were reduced by \$51.4 million; and in each period there was a corresponding increase to net income. Although we believe we are cautious in our assumptions, and in the application of our methodologies, we cannot be certain that our ultimate payments will not vary, perhaps materially, from the estimates we have made. See "Reserves for Claims and Claim Expenses."

With the growth in our reserves for claims and claim expenses, we announced on May 3, 2005 that we would review the processes and assumptions for establishing and evaluating our reserves. We completed a review of our catastrophe reinsurance reserves in the second quarter of 2005 and we expect to review our specialty and Individual Risk reserves during the remainder of 2005. As a result of the review of our catastrophe reinsurance reserves, which is now complete, we reduced prior year net catastrophe reserves within our Reinsurance segment by \$118.2 million. After adjusting for the impact of minority interest, our second quarter 2005 net income benefited by \$108.2 million as a result of this review. The reserve changes reflect a reassessment of our reserves for claims and claim expenses in light of historical paid loss trends and reported loss activity in our catastrophe portfolio for the 1994 to 2004 accident years.

As noted above, because of the numerous factors which can affect reserves for claims and claim expenses, but which can not be determined with certainty in advance, we have a reserving philosophy which attempts to incorporate prudent assumptions and estimates. In recent years, we have experienced favorable reserve development on prior years' reserves. In comparison to our property catastrophe portfolio of reinsurance coverage which we have been writing for over ten years, we do not have the benefit of a significant amount of our own historical experience in our specialty and Individual Risk lines. Accordingly, the review of our specialty and Individual Risk reserves may result in a change to those reserves; however, because of the uncertainties related to the outcome of this review, it is not possible for us to reasonably estimate the amount of any potential change to these reserves, including whether or not the review will result in an increase or a decrease to these reserves.

#### **Losses Recoverable**

We enter into reinsurance agreements in order to help reduce our exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims and claim expense reserves associated with the related assumed reinsurance. For multi-year retrospectively rated contracts, we accrue amounts (either assets or liabilities) that are due to or from assuming companies based on estimated contract experience. If we determine that adjustments to earlier estimates are appropriate, such adjustments are recorded in the period in which they are determined.

The estimate of losses recoverable can be more subjective than estimating the underlying claims and claim expense reserves as discussed under the heading "Claims and Claim Expense Reserves" above. In particular, losses recoverable may be affected by deemed inuring reinsurance, industry losses reported by various statistical reporting services, and other factors. In addition, the level of IBNR reserves has a significant impact on losses recoverable. These factors can impact the amount of the losses recoverable to be recorded as well as delay the recognition of losses recoverable to reporting periods that are different from the underlying loss.

The amount of losses recoverable ultimately collected is also open to uncertainty due to the ultimate ability and willingness of reinsurers to pay our claims, for reasons including insolvency, contractual dispute and various other reasons. Amounts estimated to be uncollectible are reflected in a valuation allowance that reduces losses recoverable and net income. We estimate the valuation allowance by applying specific percentages against each recovery based on the counterparty's credit rating. The percentages applied are based on historical industry default statistics developed by major rating agencies and are then adjusted by us based on industry knowledge. We also apply case specific

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valuation allowances against certain recoveries that we deem unlikely to be collected in full. The valuation allowance against losses recoverable was \$12.5 million at June 30, 2005 (December 31, 2004 — \$13.1 million).

## **Premiums**

We recognize premiums as revenue over the terms of the related contracts and policies. Our written premiums are based on policy and contract terms and include estimates based on information received from both insureds and ceding companies. The information received is typically in the form of a bordereau, broker notifications and/or discussions with ceding companies or their broker. This information can be received on a monthly, quarterly or transactional basis and normally includes estimates of written premium (including adjustment and reinstatement premium), earned premium, acquisition costs and ceding commissions.

Consistent with industry practice, we generally recognize premium on the date the contract is bound, even if the contract provides for an effective date prior to the date the contract is bound, thus preventing premature revenue recognition. The date the contract is bound is usually the date we are on risk for the policy and this is generally the date on which the reinsurance slip is signed. The signing of the reinsurance contract normally occurs after the date the slip is signed.

We book premiums on non-proportional contracts in accordance with the contract terms. Premiums written on losses occurring contracts are typically earned over the contract period. Premiums on risks attaching contracts are either estimated or earned as reported by the cedants, which may be over a period more than twice as long as the contract period. For multi-year policies, only the initial annual premium is included as written at policy inception. The remaining annual premiums are included as written at each successive anniversary date within the multi-year term. Management is required to make estimates based on judgment and historical experience for periods during which information has not yet been received.

In our Individual Risk business, it is often necessary to estimate portions of premiums written from quota-share contracts and by program managers and the related commission expense. Management estimates these amounts based on discussions with ceding companies and program managers, together with historical experience and judgment. Total estimated written premiums in our Individual Risk business at June 30, 2005 and 2004 were \$50.0 million and \$24.1 million, respectively. Total estimated earned premiums at June 30, 2005 and 2004 were \$8.8 million and \$0.1 million, respectively. Total estimated incurred commissions at June 30, 2005 and 2004 were \$2.1 million and \$nil, respectively. Management tracks the actual premium written and earned and commissions incurred and compares these to the estimates previously booked. Such estimates are subject to adjustment in subsequent periods when actual figures are recorded. To date such subsequent adjustments have not been material.

Since premiums for our Reinsurance segment are contractually driven and the reporting lag for such premiums is minimal, estimates for premiums written for this segment are usually not significant. The minimum and deposit premiums on excess policies are usually set forth in the language of the contract and are used to record premiums on these policies. Actual premiums are determined in subsequent periods based on actual exposures and any adjustments are recorded in the period in which they are identified.

Reinstatement premiums are recorded after the occurrence of a loss and are calculated in accordance with the contract terms based upon paid losses and case reserves reported in the period. Reinstatement premiums are earned when written.

Ceded premiums are also recognized on the date the contract is bound and are deducted from gross written premium, to arrive at net premiums written. Ceded premiums are earned over the terms of the related contracts and policies, and are reflected as a reduction to gross premiums earned to arrive at net premiums earned.

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## **SUMMARY OF RESULTS OF OPERATIONS**

*For the three months ended June 30, 2005 compared to the three months ended June 30, 2004*

### **Summary Overview**

Gross premiums written increased by \$116.6 million or 35.7% to \$443.5 million in the second quarter of 2005, compared to \$326.9 million in the second quarter of 2004. The increase was due to the addition of several new programs in our Individual Risk segment along with higher than expected Florida premium in our catastrophe reinsurance business unit due to favorable market conditions in Florida. Net premiums earned decreased by \$10.2 million or 2.9% to \$338.8 million in the second quarter of 2005, compared to \$349.0 million in the second quarter of 2004.

Net claims and claim expenses decreased by \$11.9 million to \$108.8 million in the second quarter of 2005 compared to \$120.7 million in the second quarter of 2004. For the second quarter of 2005, we generated a combined ratio of 52.5%, a loss ratio of 32.1% and an expense ratio of 20.4%, compared to a combined ratio, loss ratio and expense ratio of 57.7%, 34.6% and 23.1% for the second quarter of 2004, respectively. The decrease in net claims and claim expenses and loss ratio reflects the reduction in reserves arising from our reserve review in the second quarter of 2005 as noted below.

During the second quarter of 2005, we announced that we would undertake a review of our processes and assumptions used in establishing our catastrophe reinsurance reserves. As a result of this review, which is now complete, we reduced our prior year net catastrophe reserves within the Reinsurance segment by \$118.2 million,

which reduced our quarterly Reinsurance loss ratio by 57.2 percentage points. After adjusting for the impact of minority interest, the catastrophe reinsurance reserve review increased our net income by \$108.2 million in the second quarter of 2005. The reserve changes reflect a reassessment of our reserves for claims and claim expenses in light of historical paid loss trends and reported loss activity in our catastrophe portfolio for the 1994 to 2004 accident years.

Net claims and claim expenses within our Reinsurance segment were negatively impacted during the quarter by \$37.3 million of net adverse development related to the 2004 Florida hurricanes. After adjusting for the impact of minority interest, the net financial statement impact of the adverse development from the 2004 Florida hurricanes within our Reinsurance segment was \$29.9 million.

Net investment income was \$45.8 million in the second quarter of 2005, compared to \$29.8 million for the same quarter in 2004 reflecting both an increase in interest rates and also our increased allocation to other investments, which includes hedge funds and private equity investments, which earned \$7.1 million in the second quarter of 2005 compared to \$3.4 million in the second quarter of 2004.

Our corporate expenses of \$8.7 million incurred during the second quarter of 2005 were \$3.7 million higher than the second quarter of 2004. The increase in such expenses is due principally to \$4.7 million of professional fees incurred during the second quarter of 2005 related to our responses to requests for information and subpoenas by various governmental authorities. See "Part II — Other Information — Item 1."

Minority interest increased by \$15.8 million to \$30.3 million in the second quarter of 2005, compared to \$14.5 million in the second quarter of 2004, due to lower incurred losses within the Reinsurance segment which increased DaVinciRe's net income and, correspondingly, the minority interest.

For the second quarter of 2005 we generated net income available to common shareholders of \$172.0 million, a \$50.8 million increase from the \$121.2 million earned in the second quarter of 2004, primarily due to the decrease in net claims and claim expenses, increased net investment income, as well as \$1.6 million in net realized gains on the sale of investments generated in the quarter of 2005 compared to \$26.9 million in net realized losses incurred in the second quarter of 2004.

## Underwriting Results by Segment

A discussion of our underwriting results by segment is provided below.

### Reinsurance Segment

Our Reinsurance operations are comprised of three business units: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, also primarily written through Renaissance Reinsurance and DaVinci; and 3) joint ventures and other activities of Ventures.

The following table summarizes the underwriting results and ratios for the Reinsurance segment for the three months ended June 30, 2005 and 2004:

<u>Three months ended June 30,</u> (in thousands of U.S. dollars)	<u>2005</u>	<u>2004</u> (Restated)
Property catastrophe premiums		
Renaissance	\$ 138,922	\$ 120,405
DaVinci	30,175	29,885
Total property catastrophe premiums	<u>169,097</u>	<u>150,290</u>
Specialty premiums		
Renaissance	52,222	60,675
DaVinci	2,020	4,319
Total specialty premiums	<u>54,242</u>	<u>64,994</u>
Total Reinsurance gross premiums written	<u>\$ 223,339</u>	<u>\$ 215,284</u>
Net premiums written	<u>\$ 184,477</u>	<u>\$ 176,245</u>
Net premiums earned — property catastrophe	\$ 115,302	\$ 126,976
Net premiums earned — specialty	91,349	113,904
Total net premiums earned	<u>206,651</u>	<u>240,880</u>
Net claims and claim expenses incurred	26,117	65,016
Acquisition expenses	13,273	27,936
Operational expenses	17,384	10,624
Underwriting income	<u>\$ 149,877</u>	<u>\$ 137,304</u>
Net claims and claim expenses incurred — current accident year	\$ 91,845	\$ 92,375
Net claims and claim expenses incurred — prior years	(65,728)	(27,359)
Net claims and claim expenses incurred — total	<u>\$ 26,117</u>	<u>\$ 65,016</u>
Net claims and claim expense ratio — accident year	<u>44.4%</u>	<u>38.3%</u>
Net claims and claim expense ratio — calendar year	<u>12.6%</u>	<u>27.0%</u>

Underwriting expense ratio	14.8%	16.0%
Combined ratio	<u>27.4%</u>	<u>43.0%</u>

(1) Reinsurance gross premiums written excludes \$1.7 million of premiums assumed from the Individual Risk segment for the three months ended June 30, 2005.

#### Premiums

*Property catastrophe* — During the second quarter of 2005 our property catastrophe premiums increased by \$18.8 million to \$169.1 million or 12.5%, compared to \$150.3 million in the second

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quarter of 2004. The increase was due to higher than expected Florida premium within our catastrophe business unit due to favorable market conditions in Florida. However, we continue to expect that the pricing environment for the property catastrophe reinsurance market will remain under pressure for the remainder of 2005 and we expect our catastrophe premiums to decrease in 2005 when compared to 2004.

*Specialty Reinsurance* — During the second quarter of 2005 our specialty reinsurance premiums decreased by \$10.8 million to \$54.2 million, or 16.5% compared to \$65.0 million in the second quarter of 2004. Our premiums from this line of business are attributable to a relatively small number of large contracts and gross written premiums can fluctuate significantly between quarters and between years depending upon the number and nature of the transactions that we complete. We now expect that the full year premiums in this business unit will be flat or down modestly compared to 2004.

#### Underwriting Results

For the second quarter of 2005, our Reinsurance segment generated a loss ratio of 12.6% and an expense ratio of 14.8%, compared to 27.0% and 16.0%, respectively, during the second quarter of 2004. The decrease in the loss ratio was primarily driven by \$118.2 million in net reductions in reserves in our catastrophe reinsurance portfolio related to prior accident years as a result of our second quarter reserve review as described above. This was offset by an increase in net catastrophe reinsurance reserves of \$37.3 million related to adverse development on the 2004 Florida hurricanes as well as other normal course net prior year reserve changes which negatively impacted the Reinsurance segment by \$15.2 million during the quarter. We incurred \$91.8 million of losses in the current accident year. The table below highlights the major components of the prior year development:

<u>Reinsurance net claims and claim expense ratio</u> (in thousands of U.S. dollars)	<u>Three months ended June 30, 2005</u>	
	<u>Reinsurance net claims and claim expenses incurred</u>	<u>Reinsurance net claims and claim expense ratio</u>
Net claims and claim expenses incurred — prior years:		
Catastrophe reserve review	\$ (118,202)	(57.2%)
2004 Florida hurricanes	37,323	18.1%
Other	15,151	7.3%
Total prior years	<u>(65,728)</u>	<u>(31.8%)</u>
Net claims and claim expenses incurred — current accident year	91,845	44.4%
Net claims and claim expenses incurred — total	<u>\$ 26,117</u>	<u>12.6%</u>

Acquisition expenses decreased from \$27.9 million in the second quarter of 2004 to \$13.3 million in the second quarter of 2005 primarily as a result of profit commissions on our catastrophe portfolio participations which are recorded as an offset to acquisition expenses.

Operating expenses increased to \$17.4 million from \$10.6 million as a result of a reversal of an accrual for executive compensation in the second quarter of 2004 that did not recur in 2005.

As a result, our underwriting income increased by \$12.6 million to \$149.9 million in the second quarter of 2005 compared to \$137.3 million in the second quarter of 2004.

#### Individual Risk Segment

We define our Individual Risk segment to include underwriting that involves understanding the characteristics of the original underlying insurance policy. Our principal products include: 1) commercial and homeowners property coverages, including catastrophe-exposed products; 2) commercial liability coverages, including general, automobile, professional and various specialty products; and 3) reinsurance to other insurers on a quota share basis. We operate through the Glencoe Group of companies, whose principal operating subsidiaries are Glencoe, Stonington and Lantana.

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The following table summarizes the underwriting results and ratios for the Individual Risk segment for the three months ended June 30, 2005 and 2004:



Three months ended June 30, (in thousands of U.S. dollars)	2005	2004
Gross premiums written	\$ 220,144	\$ 111,592
Net premiums written	\$ 203,412	\$ 109,680
Net premiums earned	\$ 132,102	\$ 108,122
Net claims and claim expenses incurred	82,682	55,721
Acquisition expenses	32,301	36,111
Operational expenses	5,993	5,878
Underwriting income	\$ 11,126	\$ 10,412
Net claims and claim expenses incurred — current accident year	\$ 82,020	\$ 58,060
Net claims and claim expenses incurred — prior years	662	(2,339)
Net claims and claim expenses incurred — total	\$ 82,682	\$ 55,721
Net claims and claim expense ratio — accident year	62.1%	53.7%
Net claims and claim expense ratio — calendar year	62.6%	51.5%
Underwriting expense ratio	29.0%	38.8%
Combined ratio	91.6%	90.3%

#### Premiums

Premiums generated by our Individual Risk segment increased by \$108.6 million or 97.3% to \$220.1 million in the second quarter of 2005 from \$111.6 million in the second quarter of 2004. The increase was due to two new programs incepting in the second quarter along with \$56.5 million of premium from a seasonal program that was not in force in the second quarter of 2004. In addition, our existing programs continue to ramp up and we had two portfolio transfers in of quota share reinsurance contracts of in force business occurring during the second quarter of 2005. Our Individual Risk premiums can fluctuate significantly between quarters and between years depending upon the timing of the inception of new program managers and quota share reinsurance contracts, including whether or not we have portfolio transfers in or portfolio transfers out of quota share reinsurance contracts of in force books of business. Net earned premium in the Individual Risk segment increased by 22.2% to \$132.1 million in the second quarter of 2005 from \$108.1 million in the second quarter of 2004, due to the growth in our Individual Risk written premium.

#### Underwriting Results

For the second quarter of 2005, our Individual Risk segment generated a loss ratio of 62.6% and an expense ratio of 29.0%, compared to 51.5% and 38.8%, respectively, during the second quarter of 2004. The accident year loss ratio was 62.1% for the three months ended June 30, 2005, compared to 53.7% for the three months ended June 30, 2004. The increase in the loss ratio is primarily driven by the growing program business which generally has a higher loss ratio than the catastrophe exposed quota share reinsurance business.

#### Other

##### Net Investment Income

During the second quarter of 2005, net investment income was \$45.8 million, compared to \$29.8 million for the same quarter in 2004. The increase reflects both an increase in interest rates and also

our increased allocation to other investments which earned \$7.1 million in the second quarter of 2005 compared to \$3.4 million in the second quarter of 2004.

##### Equity in Earnings of Other Ventures

Equity in earnings of other ventures represents our pro-rata share of the net income from our investments in Top Layer Re, Channel Re and Tower Hill. In the second quarter of 2004 equity in earnings of other ventures included Top Layer Re, a partial quarter of results from Channel Re, and an investment in a joint venture focused on trading weather sensitive commodities. Equity in earnings of other ventures generated \$7.8 million in income in the second quarter of 2005, compared to \$4.9 million in the second quarter of 2004. Included in this is our equity in the earnings of our investment in Top Layer Re of \$3.7 million in the second quarter of 2005, compared to \$2.6 million for the same period in 2004. Our equity in the earnings of Channel Re was \$3.8 million for the second quarter of 2005, compared to \$1.1 million for the second quarter of 2004. In the second quarter of 2004 equity in earnings of other ventures included our equity in the earnings of a joint venture focused on trading weather sensitive commodities of \$1.2 million. In the third quarter of 2004 our ownership percentage in the weather sensitive trading joint venture decreased and our income in this venture is currently reflected in net investment income. During the first quarter of 2005 we made a \$10.0 million equity investment in Tower Hill, a Florida-based holding company. We recorded earnings of \$0.4 million from the Tower Hill investment in the second quarter of 2005. As with Channel Re, we are recording our pro-rata share of the net income of Tower Hill on a one quarter lag.

##### Other Income (Loss)

The fee income and other items as reported in other income (loss) are detailed below:

Fee income	\$	1,001	\$	1,074
Other items		2,204		(1,763)
Total other income (loss)	\$	<u>3,205</u>	\$	<u>(689)</u>

Fee income was principally generated from an annual management fee we receive from Platinum. The \$2.2 million income from other items was primarily a result of a \$2.3 million increase in the fair value of the Company's Platinum warrant. Commencing in the fourth quarter of 2004, a lock-up relating to the Platinum warrant expired and, accordingly, the change in the fair value of our Platinum warrant investment is recorded in other income in accordance with FASB Statement No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities."

#### *Other Items*

A description of the changes in other non-underwriting income and expense items is as follows:

*Net foreign exchange gains* — During the second quarter of 2005, we generated \$7.1 million of foreign exchange gains compared with \$0.8 million in the second quarter of 2004. The increase was principally due to foreign exchange gains on derivatives used to economically hedge a non-US dollar denominated fixed income investment portfolio, which is classified as available for sale. These gains are partially offset by unrealized foreign exchange losses on the investments, which are recorded in other comprehensive income. We do not currently apply hedge accounting to these derivative transactions.

*Realized (losses) gains* — During the second quarter of 2005, the Company incurred net realized gains of \$1.6 million, compared to net realized losses of \$26.9 million during the second quarter of 2004.

*Corporate expenses* — The \$3.7 million increase in corporate expenses, from \$5.0 million in the second quarter of 2004 to \$8.7 million in the second quarter of 2005, is primarily due to \$4.7 million of professional fees incurred during the second quarter of 2005 related to our responses to requests for information and subpoenas by various governmental authorities. See "Part II - Other Information - Item 1."

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*Minority Interest — DaVinciRe* — Minority interest increased by \$15.8 million to \$30.3 million in the second quarter of 2005, compared to \$14.5 million in the second quarter of 2004, due to lower incurred losses within the Reinsurance segment which increased DaVinciRe's underwriting result and net income, and correspondingly increased minority interest.

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## **SUMMARY OF RESULTS OF OPERATIONS**

### ***For the six months ended June 30, 2005 compared to the six months ended June 30, 2004***

#### **Summary Overview**

Gross premiums written increased by \$30.7 million or 2.8% to \$1,137.8 million in the first six months of 2005, compared to \$1,107.2 million in the first six months of 2004. The increase was due to growth within our Individual Risk unit due to several new programs incepting in 2005. In addition, within our Individual Risk segment our existing programs continue to ramp up and we had several portfolio transfers in of quota share reinsurance contracts of in force business occurring during the first six months of 2005. Premiums written in our Reinsurance segment were down for the first six months of 2005 compared to the first six months of 2004 due to a generally declining price environment. Net premiums earned decreased by \$16.8 million or 2.6% to \$640.3 million in the first six months of 2005.

Net claims and claim expenses increased by \$77.5 million to \$310.4 million in the first six months of 2005 compared to \$232.9 million in the first six months of 2004. For the first six months of 2005, we generated a combined ratio of 70.3%, a loss ratio of 48.5% and an expense ratio of 21.8%, compared to a combined ratio, loss ratio and expense ratio of 58.4%, 35.4% and 23.0% for the first six months of 2004, respectively. The increase in net claims and claim expenses and loss ratio are due to growth in the Individual Risk segment which generally runs at a higher loss ratio than the Reinsurance segment. In addition, the Reinsurance segment experienced losses in the first six months of 2005 on the European windstorm Erwin, adverse development on the 2004 Florida hurricanes and losses in our specialty reinsurance unit relating to an oil refinery plant explosion, partially offset by a reduction in reserves from prior accident years within our catastrophe reinsurance business unit arising from our second quarter 2005 reserve review described below.

During the second quarter of 2005, we announced that we would undertake a review of our processes and assumptions used in establishing our catastrophe reinsurance reserves. As a result of this review, which is now complete, we reduced our prior year net catastrophe reserves within the Reinsurance segment by \$118.2 million, which reduced our quarterly Reinsurance loss ratio by 57.2 percentage points. After adjusting for the impact of minority interest, the catastrophe reinsurance reserve review increased our net income by \$108.2 million in the second quarter of 2005. The reserve changes reflect a reassessment of our reserves for claims and claim expenses in light of its historical paid loss trends and reported loss activity in our catastrophe portfolio for the 1994 to 2004 accident years.

Net investment income was \$97.0 million in the first six months of 2005, compared to \$64.9 million for the same quarter in 2004 reflecting both an increase in interest rates and also our increased allocation to other investments, which includes hedge funds and private equity investments, which earned \$25.7 million in the first six months of 2005 compared to \$13.6 million in the first six months of 2004.

Our corporate expenses of \$20.0 million incurred during the first six months of 2005 were \$10.5 million higher than the \$9.5 million in corporate expenses we incurred in the first six months of 2004. The increase in such expenses is due principally to \$12.1 million of professional fees incurred during the first six months of 2005 related to our responses to requests for information and subpoenas by various governmental authorities. See "Part II - Other Information - Item 1."

For the first six months of 2005 we generated net income available to common shareholders of \$216.3 million, a \$73.8 million decrease from the \$290.1 million earned in the first six months of 2004, primarily due to a reduction in earned premium, an increase in net claims and claim expenses, increased corporate expenses, as well as net realized losses on investments of \$8.6 million for the first six months of 2005 compared with net realized gains of \$5.6 million for the first six months of 2004.

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## Underwriting Results by Segment

A discussion of our underwriting results by segment is provided below.

### Reinsurance Segment

Our Reinsurance operations are comprised of three business units: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, also primarily written through Renaissance Reinsurance and DaVinci; and 3) joint ventures and other activities of Ventures.

The following table summarizes the underwriting results and ratios for the Reinsurance segment for the six months ended June 30, 2005 and 2004:

Six months ended June 30, (in thousands of U.S. dollars)	2005	2004 (Restated)
Property catastrophe premiums		
Renaissance	\$ 391,941	\$ 419,541
DaVinci	112,813	133,081
Total property catastrophe premiums	504,754	552,622
Specialty premiums		
Renaissance	279,747	291,130
DaVinci	24,122	31,882
Total specialty premiums	303,869	323,012
Total Reinsurance gross premiums written	\$ 808,623	\$ 875,634
Net premiums written	\$ 712,610	\$ 766,681
Net premiums earned – property catastrophe	\$ 214,205	\$ 257,673
Net premiums earned – specialty	192,816	190,523
Total net premiums earned	407,021	448,196
Net claims and claim expenses incurred	168,061	123,555
Acquisition expenses	33,811	51,747
Operational expenses	31,611	16,750
Underwriting income	\$ 173,538	\$ 256,144
Net claims and claim expenses incurred – current accident year	\$ 251,881	\$ 167,785
Net claims and claim expenses incurred – prior years	(83,820)	(44,230)
Net claims and claim expenses incurred – total	\$ 168,061	\$ 123,555
Net claims and claim expense ratio – accident year	61.9%	37.4%
Net claims and claim expense ratio – calendar year	41.3%	27.6%
Underwriting expense ratio	16.1%	15.3%
Combined ratio	57.4%	42.9%

(1) Reinsurance gross premiums written excludes \$13.2 million of premiums assumed from the Individual Risk segment for the six months ended June 30, 2005.

### Premiums

*Property catastrophe* – During the first six months of 2005 our property catastrophe premiums decreased by \$47.9 million or 8.7%, to \$504.8 million, from \$552.6 million for the first six months of 2004, primarily due to a declining price environment in which we accordingly chose not to renew

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certain contracts. Partially offsetting this was a more favorable than expected pricing environment for the second quarter Florida renewals in which we underwrote more Florida reinsurance than we initially expected. We expect that the pricing environment for the property catastrophe reinsurance market will remain under pressure for the remainder of 2005 and we expect our catastrophe premiums to decrease in 2005 when compared to 2004.

*Specialty Reinsurance* – During the first six months of 2005 our specialty reinsurance premiums decreased by \$19.1 million or 5.9%, to \$303.9 million, compared to \$323.0 million for the first six months of 2004. Our premiums from this line of business are attributable to a relatively small number of large contracts and gross written premiums can fluctuate significantly between quarters and between years depending upon the number and nature of the transactions that we complete. We expect that the pricing environment for the specialty reinsurance market will remain under pressure for the remainder of 2005 and we now expect our specialty premiums to be flat or down modestly in 2005 when compared to 2004.

#### *Underwriting Results*

For the first six months of 2005, our Reinsurance segment generated a loss ratio of 41.3% and an expense ratio of 16.1%, compared to 27.6% and 15.3%, respectively, during the second quarter of 2004. The increase in the loss ratio in the Reinsurance segment was due to losses in the first six months of 2005 from the European windstorm Erwin, adverse development on the 2004 Florida hurricanes and losses in our specialty reinsurance unit relating to an oil refinery plant explosion, partially offset by a reduction in reserves from prior accident years within our catastrophe reinsurance business unit arising from our second quarter 2005 reserve review described above. In addition, there were relatively few catastrophes in the first six months of 2004 resulting in a lower loss ratio for this period when compared with the first six months of 2005.

Acquisition expenses decreased to \$33.8 million from \$51.7 million as a result of profit commissions on our catastrophe portfolio participations which are recorded as an offset to acquisition expenses.

Operating expenses increased to \$31.6 million from \$16.8 million as a result of a reversal of an accrual for executive compensation over the first six months of 2004 that did not recur in 2005.

#### *Individual Risk Segment*

We define our Individual Risk segment to include underwriting that involves understanding the characteristics of the original underlying insurance policy. Our principal products include: 1) commercial and homeowners property coverages, including catastrophe-exposed products; 2) commercial liability coverages, including general, automobile, professional and various specialty products; and 3) reinsurance to other insurers on a quota share basis. We operate through the Glencoe Group of companies, whose principal operating subsidiaries are Glencoe, Stonington and Lantana.

The following table summarizes the underwriting results and ratios for the Individual Risk segment for the six months ended June 30, 2005 and 2004:

<u>Six months ended June 30,</u> <u>(in thousands of U.S. dollars)</u>	<u>2005</u>	<u>2004</u>
Gross premiums written	\$ 329,193	\$ 231,530
Net premiums written	\$ 291,072	\$ 219,463
Net premiums earned	\$ 233,233	\$ 208,898
Net claims and claim expenses incurred	142,386	109,360
Acquisition expenses	63,271	70,331
Operational expenses	10,609	12,128
Underwriting income	<u>\$ 16,967</u>	<u>\$ 17,079</u>
Net claims and claim expenses incurred – current accident year	\$ 141,222	\$ 116,517
Net claims and claim expenses incurred – prior years	1,164	(7,157)
Net claims and claim expenses incurred – total	<u>\$ 142,386</u>	<u>\$ 109,360</u>
Net claims and claim expense ratio – accident year	<u>60.5%</u>	<u>55.8%</u>
Net claims and claim expense ratio – calendar year	61.0%	52.4%
Underwriting expense ratio	31.7%	39.5%
Combined ratio	<u>92.7%</u>	<u>91.9%</u>

#### *Premiums*

Premiums generated by our Individual Risk segment increased by \$97.7 million or 42.2% to \$329.2 million for the first six months of 2005 from \$231.5 million for the first six months of 2004. The increase was due to two new programs incepting in the first half of 2005 along with \$56.5 million of premium from a seasonal program that was not in force in the second quarter of 2004. In addition, our existing programs continue to ramp up and we had several portfolio transfers in of quota share reinsurance contracts of in force books of business occurring in the first half of 2005. Our Individual Risk premiums can fluctuate significantly between quarters and between years depending upon the timing of the inception of new program managers and quota share reinsurance

contracts, including whether or not we have portfolio transfers in or portfolio transfers out of quota share reinsurance contracts of in force books of business.

#### *Underwriting Results*

For the second quarter of 2005, our Individual Risk segment generated a loss ratio of 61.0% and an expense ratio of 31.7%, compared to 52.4% and 39.5%, respectively, during the second quarter of 2004. The accident year loss ratio was 60.5% for the six months ended June 30, 2005, compared to 55.8% for the six months ended June 30, 2004. The increase in the loss ratio is primarily driven by the growing program business which generally has a higher loss ratio than the catastrophe exposed quota share reinsurance business.

#### **Other**

##### *Net Investment Income*

Net investment income was \$97.0 million in the first six months of 2005, compared to \$64.9 million for the first six months of 2004 reflecting both an increase in interest rates and also our increased allocation to other investments, which includes hedge funds and private equity investments, which earned \$25.7 million in the first six months of 2005 compared to \$13.6 million in the first six months of 2004.

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##### *Equity in Earnings of Other Ventures*

Equity in earnings of other ventures represents our pro-rata share of the net income from our investments in Top Layer Re, Channel Re and Tower Hill. In the first six months of 2004 equity in earnings of other ventures included Top Layer Re, a partial quarter of results from Channel Re, and an investment in a joint venture focused on trading weather sensitive commodities. Equity in earnings of other ventures generated \$15.4 million in income in the first six months of 2005, compared to \$11.4 million in the first six months of 2004. Included in this is \$7.2 million of our equity in the earnings of our investment in Top Layer Re for the first six months of 2005, compared to \$6.4 million for the same period in 2004. Our equity in the earnings of Channel Re was \$7.8 million for the first six months of 2005, compared to \$1.1 million for the first six months of 2004. In the first six months of 2004 equity in earnings of other ventures included our equity in the earnings of a joint venture focused on trading weather sensitive commodities of \$4.0 million. In the third quarter of 2004 our ownership percentage in the weather sensitive trading joint venture decreased and our income in this venture is currently reflected in net investment income. During the first quarter of 2005 we made a \$10.0 million equity investment in Tower Hill. We recorded earnings of \$0.4 million from the Tower Hill investment in the first six months of 2005. As with Channel Re, we are recording our pro-rata share of the net income of Tower Hill on a one quarter lag.

##### *Other (Loss) Income*

The fee income and other items as reported in other (loss) income are detailed below:

<u>Six months ended June 30,</u> <u>(in thousands of U.S. dollars)</u>	<u>2005</u>	<u>2004</u>
Fee income	\$ 2,001	\$ 2,189
Other items	(2,311)	(1,769)
Total other (loss) income	<u>\$ (310)</u>	<u>\$ 420</u>

Fee income was principally generated from our annual management fee we receive from Platinum. The \$2.3 million loss in other items was principally due to losses on short positions in credit derivatives.

##### *Other Items*

A description of the changes in other non-underwriting income and expense items is as follows:

*Net foreign exchange gains* – During the first six months of 2005, we generated \$7.8 million of foreign exchange gains compared with \$2.9 million in the first six months of 2004. The increase was principally due to foreign exchange gains on derivatives used to economically hedge a non-US dollar denominated fixed income investment portfolio, which is classified as available for sale. These gains are partially offset by unrealized foreign exchange losses on the investments, which are recorded in other comprehensive income. We do not currently apply hedge accounting to these derivative transactions.

*Realized (losses) gains* – During the first six months of 2005, we incurred net realized losses of \$8.6 million, compared to net realized gains of \$5.6 million during the first six months of 2004.

*Corporate expenses* – Our corporate expenses of \$20.0 million incurred during the first six months of 2005 were \$10.5 million higher than the first six months of 2004. The increase in such expenses is due principally to \$12.1 million of professional fees incurred during the first six months of 2005 related to our responses to requests for information and subpoenas by various governmental authorities. See "Part II – Other Information – Item 1."

#### **FINANCIAL CONDITION**

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

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The payment of dividends by our Bermuda subsidiaries is, under certain circumstances, limited under Bermuda insurance law, which requires our Bermuda insurance subsidiaries to maintain certain measures of solvency and liquidity. At June 30, 2005, the statutory capital and surplus of our Bermuda insurance subsidiaries was \$2,167.6 million, and the amount of capital and surplus required to be maintained was \$416.5 million. Our principal U.S. insurance subsidiary, Stonington, is also required to maintain certain measures of solvency and liquidity. At June 30, 2005, the statutory capital and surplus of Stonington was \$54.8 million. Because of an accumulated deficit in earned surplus, Stonington currently cannot pay an ordinary dividend without commissioner approval.

In the aggregate, our operating subsidiaries have historically produced sufficient cash flows to meet their expected claims payments and operational expenses and to provide dividend payments to us. Our subsidiaries also maintain a concentration of investments in high quality liquid securities, which management believes will provide additional liquidity for extraordinary claims payments should the need arise. Additionally, we maintain a \$500 million revolving credit facility and a \$900 million letter of credit facility to meet additional liquidity and capital requirements, if necessary. See "Capital Resources."

## CASH FLOWS

Cash flows from operations for the first six months of 2005 were \$425.4 million, which principally consisted of our net income of \$233.5 million, increases in reserves for unearned premiums of \$397.9 million and an increase in reinsurance balances payable of \$138.3 million, partially offset by a \$345.9 million increase in premiums receivable and a \$49.0 million increase in deferred acquisition costs, among other items.

Because a large portion of the coverages we provide typically can produce losses of high severity and low frequency, it is not possible to accurately predict our future cash flows from operating activities. As a consequence, cash flows from operating activities may fluctuate, perhaps significantly, between individual quarters and years.

## RESERVES FOR CLAIMS AND CLAIM EXPENSES

Our gross case reserves, additional case reserves and IBNR by line of business at June 30, 2005 and December 31, 2004 were as follows:

<u>At June 30, 2005</u> (in thousands of U.S. dollars)	<u>Case Reserves (1)</u>	<u>Additional Case Reserves (2)</u>	<u>IBNR</u>	<u>Total</u>
Property catastrophe reinsurance	\$ 161,018	\$ 172,345	\$ 126,065	\$ 459,428
Specialty reinsurance	77,646	65,388	486,177	629,211
Total Reinsurance	238,664	237,733	612,242	1,088,639
Individual Risk	170,270	—	215,326	385,596
Total	<u>\$ 408,934</u>	<u>\$ 237,733</u>	<u>\$ 827,568</u>	<u>\$ 1,474,235</u>
 <u>At December 31, 2004</u>				
Property catastrophe reinsurance	\$ 137,902	\$ 125,639	\$ 330,744	\$ 594,285
Specialty reinsurance	50,661	56,429	419,917	527,007
Total Reinsurance	188,563	182,068	750,661	1,121,292
Individual Risk	138,285	—	199,821	338,106
Total	<u>\$ 326,848</u>	<u>\$ 182,068</u>	<u>\$ 950,482</u>	<u>\$ 1,459,398</u>

(1) Case reserves include our estimate of case reserves for insurance policies and case reserves reported by our counterparties for reinsurance contracts.

(2) Additional case reserves represent our estimate of additional case reserves on reinsurance contracts established by management.

At June 30, 2005 our estimated IBNR reserves were \$827.6 million. A 5% change in such IBNR reserves would equate to a \$41.4 million adjustment to claims and claim expenses incurred, which would represent 1.5% of shareholders' equity at June 30, 2005.

As discussed in "Summary of Critical Accounting Policies and Estimates" above, the most significant accounting judgment made by management is the estimation of the claims and claim expense reserves. Because of the significant variability and uncertainty associated with loss estimation, it is possible that our reserves are incorrect, possibly materially.

A large portion of our coverages provide protection from natural and man-made catastrophes which are generally infrequent, but can be significant, such as losses from hurricanes and earthquakes. Our claims and claim expense reserves will generally fluctuate, sometimes materially, based upon the occurrence of a significant natural or man-made catastrophic loss for which we provide reinsurance. Our claims reserves will also fluctuate based on the payments we make for these large loss events. The timing of our payments on loss events can be affected by the event causing the loss, the location of the loss, and whether our losses are from policies with insurers or reinsurers.

During 2003 and 2004 we increased our specialty reinsurance and Individual Risk gross written premiums. The growth of these lines of business adds complexity to our claims reserving process and therefore adds uncertainty to our claims reserve estimates as the reporting of information, the setting of initial reserves and the loss settlement process for these lines of business vary from our traditional property catastrophe line of business.

For our Reinsurance and Individual Risk operations, our estimates of claims reserves include case reserves reported to us as well as our estimate of appropriate additional case reserves and IBNR. Our case reserves, additional case reserves, and our estimates for IBNR reserves are based on 1) claims reports from insureds, brokers and program managers; 2) our underwriters' experience in setting claims reserves; 3) the use of computer models where applicable; and 4) historical industry claims experience. For some classes of business we also use statistical and actuarial methods to estimate ultimate expected claims and claim expenses. We review our claims reserves on a regular basis. See "Summary of Critical Accounting Policies and Estimates."

## CAPITAL RESOURCES

Our total capital resources as of June 30, 2005 and December 31, 2004 were as follows:

(in thousands of U.S. dollars)	At June 30, 2005	At December 31, 2004
Common shareholders' equity	\$ 2,322,960	\$ 2,144,042
Preference shares	500,000	500,000
Total shareholders' equity	2,822,960	2,644,042
7.0% Senior Notes	150,000	150,000
5.875% Senior Notes	100,000	100,000
DaVinci revolving credit facility – borrowed	100,000	100,000
8.54% subordinated obligation to capital trust	103,093	103,093
Revolving credit facility – unborrowed	500,000	500,000
Total capital resources	\$ 3,776,053	\$ 3,597,135

During the first six months of 2005, our capital resources increased primarily as a result of our net income attributable to common shareholders of \$216.3 million, offset by dividend payments to our common shareholders of \$28.5 million and a reduction in accumulated other comprehensive income of \$17.6 million.

In March 2004, we raised \$250 million through the issuance of 10 million Series C preference shares, in February 2003, we raised \$100 million through the issuance of 4 million Series B preference shares,

and in November 2001, we raised \$150 million through the issuance of 6 million Series A preference shares. The Series C, Series B and Series A preference shares may be redeemed at \$25 per share at our option on or after March 23, 2009, February 4, 2008 and November 19, 2006, respectively; however, we have no current intention to redeem the shares. Dividends on the Series C, Series B and Series A preference shares are cumulative from the date of original issuance and are payable quarterly in arrears at 6.08%, 7.3% and 8.1%, respectively, when, if, and as declared by the Board of Directors. If RenaissanceRe submits a proposal to our shareholders concerning an amalgamation or submit any proposal that, as a result of any changes to Bermuda law, requires approval of the holders of RenaissanceRe preference shares to vote as a single class, RenaissanceRe may redeem the Series C, Series B and Series A preference shares prior to March 23, 2009, February 4, 2008 and November 19, 2006, respectively, at \$26 per share. The preference shares have no stated maturity and are not convertible into any other of our securities.

In January 2003, RenaissanceRe issued \$100 million of 5.875% Senior Notes due February 15, 2013, with interest on the notes payable on February 15 and August 15 of each year. In July 2001, RenaissanceRe issued \$150 million of 7.0% Senior Notes due July 15, 2008 with interest on the notes payable on January 15 and July 15 of each year. The notes can be redeemed by RenaissanceRe prior to maturity subject to payment of a "make-whole" premium; however, we have no current intentions of calling the notes. The notes, which are senior obligations, contain various covenants, including limitations on mergers and consolidations, restriction as to the disposition of stock of designated subsidiaries and limitations on liens on the stock of designated subsidiaries. RenaissanceRe was in compliance with the related covenants at June 30, 2005.

Our Capital Trust has issued Capital Securities which pay cumulative cash distributions at an annual rate of 8.54%, payable semi-annually. During the first six months of 2005 and the year ended December 31, 2004, RenaissanceRe did not purchase any of the Capital Securities. RenaissanceRe has purchased an aggregate \$15.4 million of the Capital Securities since their issuance in 1997. The sole asset of the Capital Trust consists of our junior subordinated debentures. The Indenture relating to these junior subordinated debentures contains certain covenants, including a covenant prohibiting the payment of dividends if we are in default under the Indenture. We were in compliance with all of the covenants of the Indenture at June 30, 2005. The Capital Securities mature on March 1, 2027.

During May 2005, DaVinciRe amended and restated its credit agreement to extend the termination date of the revolving credit facility established thereunder from May 25, 2007 to May 25, 2010. All other material terms of and conditions in the credit agreement remained the same. The credit agreement provides for a \$100 million committed revolving credit facility, the full amount of which was drawn in 2002 and remains outstanding. Neither RenaissanceRe nor Renaissance Reinsurance is a guarantor of this facility and the lenders have no recourse against us or our subsidiaries other than DaVinciRe and its subsidiary under the DaVinciRe facility.

Pursuant to the terms of the \$500 million facility maintained by RenaissanceRe, a default by DaVinciRe on its obligations will not result in a default under the RenaissanceRe facility. Interest rates on the facility are based on a spread above LIBOR, and averaged approximately 3.8% during the first six months of 2005 (2004 – 2.3%). The credit agreement contains certain covenants requiring DaVinciRe to maintain a debt to capital ratio of 30% or below and a minimum net worth of \$250 million. At June 30, 2005, DaVinciRe was in compliance with the covenants of this agreement. The term of the credit facility may be further extended and the size of the facility may be increased to \$125 million if certain conditions are met.

Under the terms of certain reinsurance contracts, our insurance and reinsurance subsidiaries and joint ventures may be required to provide letters of credit to reinsureds in respect of reported claims and/or unearned premiums. Our principal letter of credit facility is a syndicated secured facility which accepts as collateral shares issued by our subsidiary Renaissance Investment Holdings Ltd. ("RIHL"). Our participating operating subsidiaries and our managed joint ventures have pledged (and must maintain) RIHL shares issued to them with a sufficient collateral value to support their respective obligations under the facility, including reimbursement obligations for outstanding letters of credit. The participating subsidiaries and joint ventures also have the option to post alternative forms of collateral. In addition, for liquidity purposes, in order to be permitted to pledge RIHL shares as collateral, each participating subsidiary and joint venture must maintain additional unpledged RIHL

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shares that have a net asset value at least equal to 15% of its facility usage, and RIHL shares having an aggregate net asset value equal to at least 15% of the net asset value of all outstanding RIHL shares must remain unencumbered. In the case of a default under the facility, or in other circumstances in which the rights of our lenders to collect on their collateral may be impaired, the lenders may exercise certain remedies under the facility agreement, in accordance with and subject to its terms, including redemption of pledged shares and conversion of the collateral into cash or eligible marketable securities. The redemption of shares by the collateral agent takes priority over any pending redemption of unpledged shares by us or other holders. As of April 29, 2005, the facility was amended to provide for an aggregate commitment of the lenders of \$900 million and to extend the term until April 28, 2006. Subject to certain conditions, the size of the facility may be increased to \$1.3 billion. At June 30, 2005, we had outstanding letters of credit under the facility aggregating \$667.4 million and under all letters of credit facilities of \$752.6 million.

Also, in connection with our Top Layer Re joint venture, we have committed \$37.5 million of collateral to support a letter of credit and are obligated to make a mandatory capital contribution of up to \$50.0 million in the event that a loss reduces Top Layer Re's capital below a specified level.

During August 2004, we amended and restated our committed revolving credit agreement to increase the facility from \$400 million to \$500 million, to extend the term to August 6, 2009 and to make certain other changes. The interest rates on this facility are based on a spread above LIBOR. No balance was outstanding at June 30, 2005. As amended, the agreement contains certain financial covenants. These covenants generally provide that consolidated debt to capital shall not exceed the ratio (the "Debt to Capital Ratio") of 0.35:1 and that the consolidated net worth (the "Net Worth Requirements") of RenaissanceRe and Renaissance Reinsurance shall equal or exceed \$1 billion and \$500 million, respectively, subject to certain adjustments under certain circumstances in the case of the Debt to Capital Ratio and certain grace periods in the case of the Net Worth Requirements, all as more fully set forth in the agreement. We have the right, subject to certain conditions, to increase the size of this facility to \$600 million.

#### *Credit Ratings*

In July, following our announcement that our Chairman and CEO received a Wells Notice from the staff of the Securities and Exchange Commission (the "SEC"), as discussed herein under "Part II – Other Information – Item 1", (i) Standard & Poor's Ratings Services placed on CreditWatch with negative implications the counterparty credit, senior debt, and preferred stock ratings on the Company, the counterparty credit and financial strength ratings on Renaissance Reinsurance, and the counterparty credit and financial strength ratings on DaVinci; (ii) Moody's Investors Service Inc. placed under review for possible downgrade the senior debt, subordinated debt, and preferred stock ratings of the Company, the insurance financial strength rating of Renaissance Reinsurance, the capital securities rating of RenaissanceRe Capital Trust, and the capital securities rating of RenaissanceRe Capital Trust II; (iii) Fitch Ratings Ltd. placed on Rating Watch Negative the senior notes and preferred stock ratings of the Company, the insurer financial strength rating of Renaissance Reinsurance, and the capital securities rating of RenaissanceRe Capital Trust; and (iv) A.M. Best Company, Inc. announced that the various financial strength, issuer credit and debt ratings of the Company and its affiliates remain unchanged with a stable outlook.

#### **SHAREHOLDERS' EQUITY**

During the first three months of 2005, our consolidated shareholders' equity, including preference shares, increased by \$179.0 million to \$2,823.0 million as of June 30, 2005, from \$2,644.0 million as of December 31, 2004. The change in shareholders' equity was due to our net income available to common shareholders of \$216.3 million, offset by dividend payments to our common shareholders of \$28.5 million and a reduction in accumulated other comprehensive income of \$17.6 million.

#### **INVESTMENTS**

At June 30, 2005, we held investments totaling \$5.1 billion, compared to \$4.8 billion at December 31, 2004.

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

(in thousands of U.S. dollars)	At June 30, 2005	At December 31, 2004
Fixed maturity investments available for sale, at fair value	\$ 3,218,715	\$ 3,223,292
Short term investments, at cost	687,356	608,292
Other investments, at fair value	838,199	684,590
Total managed investments portfolio	<u>4,744,270</u>	<u>4,516,174</u>
Equity investment in reinsurance company, at fair value	153,508	150,519
Investments in other ventures, under equity method	165,371	159,556
Total investments	<u>\$ 5,063,149</u>	<u>\$ 4,826,249</u>

Our total investments for the six months ended June 30, 2005 increased by \$236.9 million from December 31, 2004 primarily from investing a portion of our net cash provided by operating activities in our investment portfolio, offset by a reduction in unrealized gains on our fixed maturity investments available for sale.

Because our coverages include substantial protection for damages resulting from natural and man-made catastrophes, we may become liable for substantial claim payments on short-term notice. Accordingly, our investment portfolio is structured to preserve capital and provide a high level of liquidity which means that the large majority of our investment portfolio consists of highly rated fixed income securities, including U.S. Treasuries, highly-rated sovereign and supranational securities, high-grade corporate securities and mortgage-backed and asset-backed securities. At June 30, 2005, our invested asset portfolio of fixed maturities and short term investments had a dollar weighted average rating of AA (December 31, 2004 – AA), an average duration of 2.2 years (December 31, 2004 – 2.2 years) and an average yield to maturity of 4.0% (December 31, 2004 – 3.3%).

#### Other Investments

The table below shows our portfolio of other investments as at June 30, 2005 and December 31, 2004:

(in thousands of U.S. dollars)	At June 30, 2005	At December 31, 2004
<u>Type of investment</u>		
Hedge funds	\$ 316,585	\$ 293,462
Senior secured bank loan fund	139,209	116,560
Private equity partnerships	113,237	82,381
Fixed income global opportunities fund	101,044	—
European high yield credit fund	87,720	87,689
Medium term note representing an interest in a pool of European fixed income securities	50,000	50,000
Non-US convertible fund	25,885	28,214
Miscellaneous other investments	4,519	26,284
Total investments	<u>\$ 838,199</u>	<u>\$ 684,590</u>

Interest income, income distributions and realized and unrealized gains and losses on other investments are included in net investment income and totaled \$25.7 million and \$13.6 million for the first six months of 2005 and 2004, respectively, of which \$9.4 million for the first six months of 2005 and \$3.9 million for the first six months of 2004 was related to net unrealized gains.

We have \$211.7 million of unfunded committed capital to private equity partnerships at June 30, 2005.

#### Equity Investment in Reinsurance Company

The equity investment in reinsurance company relates to our November 1, 2002 purchase of 3,960,000 common shares of Platinum in a private placement transaction. In addition, we received a ten-year

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warrant to purchase up to 2.5 million additional common shares of Platinum for \$27.00 per share. We purchased the common shares and warrant for an aggregate price of \$84.2 million. At June 30, 2005, we owned (exclusive of the warrant) 9.2% of Platinum's outstanding common shares. We have recorded our investment in Platinum at fair value, and at June 30, 2005 the aggregate fair value was \$153.5 million, compared to \$150.5 million at December 31, 2004. The fair value of the common shares is based on the market price of Platinum's shares as of the balance sheet date. The fair value of the warrant is estimated by the Company using the Black-Scholes option pricing model. The aggregate unrealized gain on the Platinum common shares of \$41.8 million (December 31, 2004 – \$38.9 million) is included in accumulated other comprehensive income. During the fourth quarter of 2004, a lockup provision on the warrant expired and as a result the warrant met the definition of a derivative under FAS 133 and therefore changes in the fair value of the warrant were recorded prospectively in other income from November, 2004. For the six months ended June 30, 2005, a \$0.1 million gain was recorded in other income representing an increase in the fair value of the warrant.

## Investments in Other Ventures

The investments in other ventures, under equity method primarily include our investments in Channel Re, Top Layer Re and other ventures. The increase in this balance is primarily due to a \$10.0 million investment we made during the first quarter of 2005 in Tower Hill, as well as the undistributed earnings in these ventures earned during the first six months of 2005. As with Channel Re, our equity pick-up from Tower Hill is recorded one quarter in arrears and accordingly our initial pick-up from this investment was recorded in the second quarter of 2005.

## RIHL

A portion of our investment assets are directly held by our subsidiary RIHL, a Bermuda company organized for the primary purpose of holding investments in high quality marketable securities for RenaissanceRe, our operating subsidiaries and certain of our joint venture affiliates. We believe that RIHL permits us to consolidate and substantially facilitate our investment management operations. RenaissanceRe and each of our participating operating subsidiaries and affiliates have transferred marketable securities or other assets to RIHL, in return for subscriptions of RIHL equity interests. Each RIHL share is redeemable by the subscribing companies for cash or marketable securities. The subsidiaries and joint ventures which participate in RIHL both subscribe for additional shares and redeem outstanding shares, as our and their respective liquidity needs change. RIHL is currently rated AAAf/S2 by S&P.

## Other

At June 30, 2005, \$296.2 million of cash and cash equivalents and investments were invested in currencies other than the U.S. dollar, which represented 5.6% of our total cash and cash equivalents and investments.

## EFFECTS OF INFLATION

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

## OFF-BALANCE SHEET AND SPECIAL PURPOSE ENTITY ARRANGEMENTS

As of June 30, 2005, we have not entered into any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

## CONTRACTUAL OBLIGATIONS

At June 30, 2005

(in thousands of U.S. dollars)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations (1)					
7.0% Senior Notes	\$ 181,960	\$ 10,500	\$ 21,000	\$ 150,460	\$ —
5.875% Senior Notes	138,952	5,875	11,750	5,875	115,452
Capital Securities	285,026	8,540	17,080	17,080	242,326
DaVinciRe revolving credit facility (2)	107,677	4,038	103,639	—	—
Private equity commitments	211,646	211,646	—	—	—
Operating lease obligations	52,701	3,940	7,902	7,562	33,297
Obligations under derivative contracts	4,168	1,285	2,545	338	—
Reserve for claims and claim expenses (3)	1,474,235	481,273	469,542	177,399	346,021
Total contractual obligations	<u>\$ 2,456,365</u>	<u>\$ 727,097</u>	<u>\$ 633,458</u>	<u>\$ 358,714</u>	<u>\$ 737,096</u>

(1) Includes contractual interest and dividend payments.

(2) The interest on this facility is based on a spread above LIBOR. We have reflected the interest due in 2005 and 2006 based upon the current interest rate on the facility.

(3) We caution the reader that the information provided above related to estimated future payment dates of our reserves for claims and claim expenses is not prepared or utilized for internal purposes and that we currently do not estimate the future payment dates of claims and claim expenses. Because of the nature of the coverages that we provide, the amount and timing of the cash flows associated with our policy liabilities will fluctuate, perhaps significantly, and therefore are highly uncertain. In order to estimate the payment dates of our contractual obligations for our reserve for claims and claim expense, we have used the work of an actuarial firm.

This firm has based its estimate of future claim payments upon benchmark payment patterns constructed internally, drawing upon available relevant sources of loss and allocated loss adjustment expense development data. These benchmarks are revised periodically as new trends emerge. We believe that it is likely that this benchmark data will not be predictive of our future claim payments and that material fluctuations can occur due to the nature of the losses which we insure and the coverages which we provide.

In certain circumstances many of our contractual obligations may be accelerated to dates other than those reflected in the table, due to defaults under the agreement governing those obligations (including pursuant to cross-default provisions in such agreement) or in connection with certain changes in control of the Company, if applicable. In addition, in connection with any such default under the agreement governing these obligations, in

certain circumstances these obligations may bear an increased interest rate or be subject to penalties as a result of such a default.

## **CURRENT OUTLOOK**

We currently anticipate the following developments in our business:

### Reinsurance segment

Since 2001, there has been an increase in the number of traditional reinsurance companies dedicating capital to the property catastrophe reinsurance market. This increase, combined with the entrance of non-traditional market participants, has resulted in an excess of supply over demand in certain sectors of the market and, correspondingly, has caused deterioration in pricing and in terms and conditions. Therefore, during the first half of 2005 a growing number of transactions did not meet our hurdle rates and accordingly our property catastrophe reinsurance premiums declined in the first six months of 2005 as compared to the first six months of 2004. We also note that during 2004, we recorded \$30.1 million of reinstatement premiums and \$27.4 million of premiums on back-up covers related to the third quarter Florida hurricanes. If there is an absence of similar catastrophic events during 2005, we anticipate that such premiums will not recur and, therefore, the decline in property catastrophe reinsurance premiums in 2005 will be more pronounced.

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During the first half of 2005, we also noted increased competition in the specialty reinsurance market, and accordingly we experienced a decrease in our premiums from specialty reinsurance for the first six months of 2005. Our premiums from this line of business are attributable to a relatively small number of large deals and the amount of the premiums can fluctuate significantly between quarters and between years depending upon the number of, and nature of, the transactions that we complete. We now expect that premiums from our specialty unit will likely be flat to modestly down for 2005 when compared to 2004.

### Individual Risk segment

Various classes of Individual Risk business, in particular commercial property, have begun to experience deterioration in pricing and in terms and conditions due to increased competition. However, we have added several new program managers during the first half of 2005 and, accordingly, we expect our premiums from our Individual Risk segment to grow significantly in 2005 when compared to 2004.

### New Business

We believe that the current market environment may create more opportunities for the creation of joint ventures and strategic investments. We have established Ventures to facilitate strategic investments. We may consider opportunities in other areas of the insurance and reinsurance markets, or in other financial markets, either through organic growth, the formation of new joint ventures, or the acquisition of other companies or books of business of other companies. We are currently in the process of reviewing certain opportunities and periodically engage in discussions regarding possible transactions, although there can be no assurance that we will complete any such transactions or that any such transaction would contribute materially to our results of operations or financial condition.

### Reserve Review

With the growth in our reserves for claims and claim expenses, we announced on May 3, 2005 that we would review the processes and assumptions for establishing and evaluating our reserves. We completed a review of our catastrophe reinsurance reserves in the second quarter of 2005 and we expect to review our specialty and Individual Risk reserves during the remainder of 2005. As a result of the review of our catastrophe reinsurance reserves, which is now complete, we reduced prior year net catastrophe reserves within our Reinsurance segment by \$118.2 million. After adjusting for the impact of minority interest, our second quarter 2005 net income benefited by \$108.2 million as a result of this review. The reserve changes reflect a reassessment of our reserves for claims and claim expenses in light of historical paid loss trends and reported loss activity in our catastrophe portfolio for the 1994 to 2004 accident years.

As noted in "Summary of Critical Accounting Policies and Estimates – Claims and Claim Expenses", because of the numerous factors which can affect reserves for claims and claim expenses, but which can not be determined with certainty in advance, we have a reserving philosophy which attempts to incorporate prudent assumptions and estimates. In recent years, we have experienced favorable reserve development on prior years' reserves. In comparison to our property catastrophe portfolio of reinsurance coverage which we have been writing for over ten years, we do not have the benefit of a significant amount of our own historical experience in our specialty and Individual Risk lines. Accordingly, the review of our specialty and Individual Risk reserves may result in a change to those reserves; however, because of the uncertainties related to the outcome of this review, it is not possible for us to reasonably estimate the amount of any potential change to these reserves, including whether or not the review will result in an increase or a decrease to these reserves.

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### Other

We estimate that Hurricane Dennis will have a net negative impact of approximately \$40 million on our third quarter results. We are currently evaluating the impact of Hurricane Emily, although we currently do not believe it will have a material impact on our third quarter results.

## Government Investigations

The SEC, the New York Attorney General, certain state insurance regulatory authorities and others are investigating various practices within the insurance industry, including contingent commission payments to brokers, alleged "bid-rigging," and "steering," as well as the use of non-traditional, or loss mitigation, (re)insurance products. Government authorities are also currently investigating our restatement of the Company's financial statements. See "Part II — Other Information — Item 1." We cannot predict the effect that these investigations, and any changes in industry practice, including future legislation or regulations that may become applicable to us, will have on the insurance industry, the regulatory framework or our business.

## **Safe Harbor Disclosure**

In connection with, and because it desires to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions readers regarding certain forward-looking statements contained in this report.

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

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

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

1. the occurrence of natural or man-made catastrophic events with a frequency or severity exceeding our estimates, and the risk that the size of net claims relating to the 2004 Florida hurricane losses, the 2005 European windstorm and the 2005 Hurricanes Dennis and Emily described herein may change due to the developing nature of some of the reports and estimates of loss and damage to date;
  2. risks associated with implementing our business strategies and initiatives for organic growth, including risks relating to managing that growth;
  3. risks associated with the growth of our specialty reinsurance and Individual Risk businesses, particularly the development of our infrastructure to support this growth;
  4. risks relating to our strategy of relying on program managers, third party administrators, and other vendors to support our Individual Risk operations;
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5. other risks of doing business with program managers, including the risk we might be bound to policyholder obligations beyond our underwriting intent, and the risk that our program managers or agents may elect not to continue or renew their programs with us;
  6. risks relating to the government investigation related to our restatement of the Company's financial statements, as well as the industry-wide investigations into non-traditional, or loss mitigation, (re)insurance, and other industry practices, all of the possible consequences of which we are unable to foresee;
  7. the risk that ongoing investigative regulatory developments will disrupt our business, or that of our business partners, or mandate changes in industry practices in a fashion which increases our costs or requires us to alter aspects of the way we do business;
  8. acts of terrorism, war or political unrest;
  9. the inherent uncertainties in our reserving process, which we believe are increasing as we diversify into new product classes;
  10. emerging claim and coverage issues, which could expand our obligations beyond the amount we intend to underwrite;
  11. possible challenges in maintaining our fee-based operations, including risks associated with retaining our existing partners and attracting potential new partners;

12. a decrease in the level of demand for our reinsurance or insurance business, or increased competition in the industry;
13. greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;
14. changes in economic conditions, including interest rate, currency, equity and credit conditions which could affect our investment portfolio;
15. extraordinary events affecting our clients or brokers, such as bankruptcies and liquidations, and the risk that we may not retain or replace our large clients;
16. a contention by the U.S. Internal Revenue Service that our Bermuda subsidiaries, including Renaissance Reinsurance, Glencoe and RIHL, are subject to U.S. taxation;
17. the lowering or loss of any of the ratings of RenaissanceRe or of one or more of our subsidiaries or changes in the policies or practices of the rating agencies;
18. loss of services of any one of our key executive officers;
19. risks relating to the collectibility of our reinsurance, including both our Reinsurance and Individual Risk operations, as well as risks relating to the availability of coverage from creditworthy providers;
20. failures of our reinsurers, brokers or program managers to honor their obligations, including their obligations to make third party payments for which we might be liable, a risk which may have increased as regards brokers in light of recent developments;
21. changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers, or program managers, or from potential changes in their business practices which may be required by future regulatory changes;
22. changes in insurance regulations in the U.S. or other jurisdictions in which we operate, including potential challenges to Renaissance Reinsurance's claim of exemption from insurance regulation under current laws, and the risk of increased global regulation of the insurance and reinsurance industry;
23. the passage of federal or state legislation subjecting Renaissance Reinsurance to supervision or regulation, including additional tax regulation, in the U.S. or other jurisdictions in which we operate; and

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24. actions of competitors, including industry consolidation, the launch of new entrants and the development of competing financial products.

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

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

We are principally exposed to four types of market risk: interest rate risk; foreign currency risk; equity price risk; and credit risk. The Company's investment guidelines permit, subject to approval, investments in derivative instruments such as futures, options, foreign currency forward contracts and swap agreements, which may be used to assume risks or for hedging purposes.

#### **Interest Rate Risk**

Our investment portfolio includes fixed maturity investments available for sale and short-term investments, whose fair values will fluctuate with changes in interest rates. We attempt to maintain adequate liquidity in our fixed maturity investments portfolio to fund operations, pay reinsurance and insurance liabilities and claims and provide funding for unexpected events. We seek to manage our interest rate risk by monitoring the duration and structure of our investment portfolio.

The aggregate hypothetical loss generated from an immediate adverse parallel shift in the treasury yield curve of 100 basis points would cause a decrease in fair value of 2.2%, which equated to a decrease in fair value of approximately \$85.9 million on a portfolio valued at \$3,906.1 million at June 30, 2005. At December 31, 2004, the decrease in fair value would have been 2.2%, which equated to a decrease in fair value of approximately \$84.3 million on a portfolio valued at \$3,831.6 million. The foregoing reflects the use of an immediate time horizon, since this presents the worst-case scenario. Credit spreads are assumed to remain constant in these hypothetical examples.

#### **Foreign Currency Risk**

Our functional currency is the U.S. dollar. We write a substantial portion of our business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses and incur underwriting losses in currencies other than U.S. dollars, which will in turn affect our consolidated financial statements. All

changes in exchange rates, with the exception of non-U.S. dollar denominated investments classified as available for sale, are recognized currently in our statements of income.

Our foreign currency policy with regard to our 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, we will 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 our underwriting operations. As of June 30, 2005, we had notional exposure of \$25.0 million (December 31, 2004 – \$30.0 million) related to foreign currency forward and option contracts purchased in connection with our underwriting operations. Our foreign currency and option contracts are recorded at fair value, which is determined principally by obtaining quotes from independent dealers and counterparties. During the first six months of 2005 and 2004, we incurred gains of \$0.4 million and \$1.2 million, respectively, on our foreign currency forward and option contracts related to our underwriting operations.

For our investment operations, we are exposed to currency fluctuations through our investments in non-U.S. Dollar bonds and Euro denominated fixed income and other funds. As of June 30, 2005, our combined investment in these bonds and funds was \$279.7 million (December 31, 2004 – \$236.6 million). To hedge our exposure to currency fluctuations from these funds, we have entered into foreign currency forward and option contracts with notional exposure of \$276.4 million (December 31,

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2004 – \$191.9 million). In the future, we may choose to increase our exposure to non-dollar investments. Foreign exchange gains or losses arising from non-U.S. dollar investments classified as available for sale are recorded in other comprehensive income or net realized gains (losses) on investments; the foreign exchange gains (losses) associated with our hedging of these non-U.S. dollar assets are recorded through net foreign exchange gains (losses) in our statements of income. During the first six months of 2005 and 2004, we recorded a gain of \$14.4 million and a loss of \$1.4 million, respectively, on our foreign currency forward and option contracts related to our hedging of non-U.S. dollar investments.

#### **Equity Price Risk**

We are exposed to equity price risk principally due to our investment in the common shares and warrant to purchase additional common shares of Platinum (see "Summary of Results of Operations – Investments"), which we carry on our balance sheet at fair value. The risk is the potential for loss in fair value resulting from adverse changes in the price of Platinum's common stock. The aggregate fair value of this investment in Platinum was \$153.5 million at June 30, 2005 compared to \$150.5 million at December 31, 2004. A hypothetical 10 percent decline in the price of Platinum stock, holding all other factors constant, would have resulted in a \$12.6 million decline in the fair value of the stock and a \$6.3 million decline in the fair value of the warrant (assuming no other changes to the inputs to the Black-Scholes option valuation model that we use). The decline in the fair value of the stock would be recorded in net unrealized gains (losses) on securities and included in other comprehensive income in shareholders' equity. The decline in the fair value of the warrant would be recorded in other income. We are also indirectly exposed to equity market risk through our investments in: 1) some hedge funds that have net long equity positions; and 2) private equity partnerships whose exit strategies often depend on the equity markets. Such investments totaled \$530.9 million at June 30, 2005 (December 31, 2004 – \$375.8 million).

#### **Credit Risk**

Our exposure to credit risk is primarily due to our fixed maturity investments available for sale and short term investments, and to a lesser extent, reinsurance premiums receivable and ceded reinsurance balances. At June 30, 2005 and December 31, 2004, our invested asset portfolio had a dollar weighted average rating of AA. From time to time we purchase credit default swaps to hedge our exposures in the insurance industry and to assist in managing the credit risk associated with ceded reinsurance. At June 30, 2005, the maximum payments we were obligated to make under credit default swaps was \$4.2 million (December 31, 2004 – \$21.5 million). We account for these credit derivatives at fair value and record them on our consolidated balance sheet as other assets or other liabilities depending on the rights or obligations. The fair value of these credit derivatives, as recognized in other liabilities in our balance sheet at June 30, 2005 was a liability of \$2.8 million (December 31, 2004 – \$12.6 million). During the first six months of 2005 and 2004, we recorded losses of \$2.2 million and \$0.5 million, respectively, from these credit derivatives in our consolidated statement of income. The fair value of the credit derivatives are determined using industry valuation models. 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.

#### **Item 4. CONTROLS AND PROCEDURES**

*Disclosure Controls and Internal Controls:* We have designed various disclosure controls and procedures (as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act), to help ensure that information required to be disclosed in our periodic Exchange Act reports, such as this quarterly report, is recorded, processed, summarized and reported on a timely and accurate basis. Our disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our senior management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our internal control over financial reporting is a process designed to provide

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reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on financial statements.

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

*Evaluation:* An evaluation was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based upon that evaluation, the Company's management, including our Chief Executive Officer and Chief Financial Officer, concluded, subject to the limitations noted above, that at June 30, 2005, the Company's disclosure controls and procedures were effective in ensuring that all material information required to be filed in this Report has been made known to them in a timely fashion. During the second quarter of 2005 we completed a review of our processes and assumptions for establishing and evaluating our catastrophe reinsurance reserves. During this review we developed and completed certain procedures, relating to our catastrophe reserving, which should enhance our existing internal controls over loss reserving in future periods. We expect to complete a review of our specialty and Individual Risk reserves during the remainder of 2005. Except for the preceding items, there has been no change in the Company's internal control over financial reporting during the three months ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## **Part II — OTHER INFORMATION**

### **Item 1 — Legal Proceedings**

We are, from time to time, a party to litigation and arbitration that arises in the normal course of our business operations. We are also subject to other potential litigation, disputes, and regulatory or governmental inquiry. While any proceeding contains an element of uncertainty, we believe that we are not presently a party to any such litigation or arbitration that is likely to have a material adverse effect on our business or operations.

We received a subpoena from the SEC in February 2005, a subpoena from the Office of the Attorney General for the State of New York (the "NYAG") in March 2005, and a subpoena from the United States Attorney's Office for the Southern District of New York in June 2005, each of which relates to the industry-wide investigations into non-traditional, or loss mitigation, (re)insurance products. The subpoenas from the SEC and the United States Attorney's Office also relate to our business practice review and/or to our determination to restate the Company's financial statements for the fiscal years ended December 31, 2003, 2002 and 2001. In July 2005, James N. Stanard, the Company's Chairman and CEO, received a Wells Notice from the staff of the SEC in connection with the SEC's investigation. The Wells Notice indicates that the staff intends to recommend that the SEC bring a civil enforcement action against Mr. Stanard alleging violations of federal securities laws. The Company understands that Michael W. Cash, a former officer of the Company, also received a Wells Notice in connection with the SEC's investigation. In April 2005, we also received subpoenas from the SEC and the NYAG relating to our investment in Channel Re. We are cooperating with the SEC, the NYAG, and the United States Attorney's Office in these ongoing investigations. We are unable to predict the ultimate impact, if any, these investigations may have on our business, including as to our senior management team. It is possible that the investigations may result in penalties or require remediation, or may otherwise impact our senior management team in a manner which may be adverse to us, perhaps materially so.

In late July 2005 and the first week of August 2005, at least three putative class action lawsuits were filed in the United States District Court for the Southern District of New York by purchasers of the Company's common stock naming the Company and certain of its present and former executive officers and directors as defendants. The complaints allege that the Company and the other defendants violated the federal securities laws by making material misstatements and failing to state material facts about the Company's business and financial condition, among other things, in securities act filings and public statements. Plaintiffs seek damages in an unspecified

amount to compensate an alleged class of persons who purchased the Company's stock between January 24, 2002 and July 25, 2005. One of the actions also includes claims on behalf of purchasers of the Company's 6.08% Series C perpetual preference shares. No class has been certified in these actions, and the Company has not been served with the complaints. The Company intends to vigorously defend these lawsuits but is unable at this time to ascertain the impact this litigation may have on its financial position or results of operations.

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

Below is a summary of stock purchases for the quarter ended June 30, 2005. RenaissanceRe's Board has authorized a share repurchase program of \$150 million. No shares were purchased under this program in the six months ended June 30, 2005. See Note 5 of our Notes to Unaudited Consolidated Financial Statements for information regarding RenaissanceRe's stock repurchase plan.

	<u>Shares purchased (1)</u>	<u>Average price per share</u>	<u>Maximum shares still available for repurchase (2)</u> (in millions)
Beginning shares available to be repurchased			\$ 150.0
April 1 - 30, 2005	145	\$ 45.50	N/A
May 1 - 31, 2005	19,456	\$ 45.20	N/A
June 1 - 30, 2005	<u>4,845</u>	<u>\$ 47.23</u>	<u>N/A</u>
Total	<u>24,446</u>		<u>\$ 150.0</u>

- (1) These purchases exclusively represent withholdings from employees surrendered in respect of withholding tax obligations on the vesting of restricted stock, or in lieu of cash payments for the exercise price of employee stock options.
- (2) The Company publicly announced its share repurchase program of \$150 million on August 7, 2003. No expiration date has been established for this program.

## Item 3 — Defaults Upon Senior Securities

None

## Item 4 — Submission of Matters to a Vote of Security Holders

- (a) Our 2005 Annual General Meeting of Shareholders was held on June 9, 2005.
- (b) Proxies were solicited by our management pursuant to Regulation 14A under the Exchange Act; there was no solicitation of opposition to our nominees listed in the proxy statement; the reelected directors were re-elected for three year terms as described in item (c)(1) below.

The other directors, whose term of office as a director continued after the meeting are:

James N. Stanard  
 William I. Riker  
 Thomas A. Cooper  
 William F. Hecht  
 W. James MacGinnitie  
 Nicholas L. Trivisonno

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

- (1) The Board Nominees Proposal

Our Bye-laws provide for a classified Board, divided into three classes of approximately equal size. At the 2005 Annual Meeting, the shareholders elected three of Class I Directors, who shall serve until our 2008 Annual Meeting.

<u>Nominee</u>	<u>Votes For</u>	<u>Votes Against</u>
Edmund B. Greene	62,844,334	230,686
Brian R. Hall	63,022,671	52,349
Jean D. Hamilton	63,015,552	55,151
Scott E. Pardee	63,019,869	59,468

- (2) The Auditors Proposal



Our shareholders voted to approve the appointment of Ernst & Young as our independent auditors for the 2005 fiscal year.

<u>Votes For</u>	<u>Votes Against</u>	<u>Votes Abstained</u>
63,028,097	27,322	19,601

**Item 5 — Other Information**

None

**Item 6 — Exhibits**

- a. Exhibits:
- 10.1 Second Amended and Restated Credit Agreement, dated as of May 25, 2005, by and among DaVinciRe Holdings Ltd., the banks, financial institutions and other institutional lenders listed thereto (the "Lenders"), Citigroup Global Markets Inc., as lead arranger, bank manager and syndication agent, and Citibank, N.A., as administrative agent for the Lenders. (1)
  - 10.2 Investment Manager Agreement, entered into as of July 1, 2005, by and between Renaissance Underwriting Managers, Ltd. and BlackRock Financial Management, Inc. (2)
  - 10.3 Amended and Restated Employment Agreement, dated as of June 30, 2003, between Renaissance Reinsurance Ltd. and Kevin J. O'Donnell.
  - 10.4 Third Amendment to First Amended and Restated Reimbursement Agreement, dated as of April 29, 2005, by and among Renaissance Reinsurance Ltd., Renaissance Reinsurance of Europe, Glencoe Insurance Ltd., DaVinci Reinsurance Ltd., RenaissanceRe Holdings Ltd., the banks and financial institutions parties thereto, Wachovia Bank, National Association, as issuing bank, administrative agent, and collateral agent for the lenders, and certain co-documentation agents. (3)
  - 31.1 Certification of James N. Stanard, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
  - 31.2 Certification of John M. Lummis, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
  - 32.1 Certification of James N. Stanard, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 32.2 Certification of John M. Lummis, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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- (1) Incorporated by reference to RenaissanceRe Holdings Ltd.'s Current Report on Form 8-K, filed with the Commission on June 1, 2005.
  - (2) Incorporated by reference to RenaissanceRe Holdings Ltd.'s Current Report on Form 8-K, filed with the Commission on July 8, 2005.
  - (3) Incorporated by reference to RenaissanceRe Holdings Ltd.'s Current Report on Form 8-K, filed with the Commission on May 2, 2005.

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**SIGNATURE**

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

**RenaissanceRe Holdings Ltd.**

By: /s/ John M. Lummis  
John M. Lummis  
Executive Vice President, Chief Operating Officer and  
Chief Financial Officer

Date: August 8, 2005

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**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement is dated as of June 30, 2003 and is entered into between Renaissance Reinsurance Ltd. (the "Company"), and Kevin J. O'Donnell ("Employee").

WHEREAS, the Company and Employee are presently parties to an Employment Agreement, dated as of June 1, 2000 (the "Prior Agreement"); and

WHEREAS, the Company desires to enter into an amended and restated agreement embodying the terms of Employee's continued employment (this "Agreement") and the Employee desires to enter into this Agreement and to accept such continued employment, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, the parties hereby agree:

ARTICLE I.

Employment, Duties and Responsibilities

1.01. Employment. During the Term (as defined below), Employee shall serve as a key employee of the Company. Employee agrees to devote his full time and efforts to promote the interests of the Company.

1.02. Duties and Responsibilities. Employee shall have such duties and responsibilities as specified by the person to which the Employee directly reports and who supervises the Employee's work on a regular basis (the "Direct Supervisor"). These duties and responsibilities may be modified from time to time and as are consistent with the Employee's position.

1.03. Base of Operation. Employee's principal base of operation for the performance of his duties and responsibilities under this Agreement shall be the offices of the Company in Bermuda; provided, however, that Employee shall perform such duties and responsibilities outside of Bermuda as shall from time to time be reasonably necessary to fulfill his obligations hereunder. Employee's performance of any duties and responsibilities outside of Bermuda shall be conducted in a manner consistent with any guidelines provided to Employee by the Board of Directors of the Company (the "Company's Board").

ARTICLE II.

Term

2.01. Term. Subject to Article V, the employment of the Employee under this Agreement shall be for a term (the "Term") commencing as of the date first written above and continuing until the first anniversary of the date first written above; provided, however, that the Term shall be extended for successive one-year periods as of each anniversary date of the date first written above (each, a "Renewal Date") unless, with respect to any such Renewal Date, either party hereto gives the other party at least 30 days prior written notice of its election not to so extend the Term.

ARTICLE III.

Compensation and Expenses

3.01. Salary, Incentive Awards and Benefits. As compensation and consideration for the performance by Employee of his obligations under this Agreement, Employee shall be entitled, during the Term, to the following (subject, in each case, to the provisions of Article V hereof):

(a) Salary; Bonus. The Company shall pay Employee a base salary at a rate to be determined by the Company's Board, upon recommendation of the Direct Supervisor, or if such Direct Supervisor is not an officer of the Company, an officer of the Company. Bonuses shall be payable at the discretion of the Company. Salary and bonuses shall be payable in accordance with the normal payment procedures of the Company and subject to such withholding and other normal employee deductions as may be required by law.

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(b) Awards. Employee may participate in the stock incentive plans of the Company, as amended through the date hereof and hereafter from time to time (the "Plans") of RenaissanceRe Holdings Ltd. ("Holdings"), the Company's ultimate parent company. Employee may receive grants from time to time as determined by the Compensation Committee of the Holdings Board of Directors. Employee shall enter into separate award agreements with respect to such awards granted to him ("Awards") under the Plans, and his rights with respect to such Awards shall be governed by the Plans and such award agreements.

(c) Benefits. Employee shall be eligible to participate in such life insurance, health, disability and major medical insurance benefits, and in such other employee benefit plans and programs for the benefit of the employees and officers of the Company, as may be maintained from time to time during the Term, in each case to the extent and in the manner available to other employees of the Company, subject to the terms and provisions of such plan or program.

(d) Vacation. Employee shall be entitled to reasonable paid vacation periods, in accordance with Company policy, to be taken at his discretion, in a manner consistent with his obligations to the Company under this Agreement, and subject, with respect to timing, to the reasonable approval of the Employee's supervisor at the Company.

(e) Indemnification/Liability Insurance. The Company shall indemnify Employee as required by the Bye-laws, and may maintain customary insurance policies providing for indemnification of Employee.

3.02. Expenses; Perquisites. During the Term, the Company shall provide Employee with the following expense reimbursements and perquisites:

(a) Business Expenses. The Company will reimburse Employee for reasonable business-related expenses incurred by him in connection with the performance of his duties hereunder, subject, however, to the Company's policies relating to business-related expenses as in effect from time to time.

(b) Other Benefits. The Company may also provide for other benefits for Employee as it determines from time to time.

#### ARTICLE IV.

##### Exclusivity, Etc.

4.01. Exclusivity. Employee agrees to perform his duties, responsibilities and obligations hereunder efficiently and to the best of his ability. Employee agrees that he will devote his entire working time, care and attention and best efforts to such duties, responsibilities and obligations throughout the Term.

4.02. Other Business Ventures. Employee agrees that during the Term he will not own, directly or indirectly, any controlling or substantial stock or other beneficial interest in any business enterprise which is engaged in business activities that are competitive with the business activities of the Company or any of its divisions, subsidiaries or affiliates. The preceding sentence notwithstanding, Employee may own, directly or indirectly, up to 1% of the outstanding capital stock of any business having a class of capital stock which is traded on any major stock exchange or in a national over-the-counter market.

4.03. Confidential Information. Employee agrees that he will not, at any time during or after the Term, make use of or divulge to any other person, firm or corporation any trade or business secret, process, method or means, or any other confidential information concerning the business or policies of the Company or any of its divisions, subsidiaries or affiliates, which he may have learned in connection with his employment hereunder. For purposes of this Agreement, a "trade or business secret, process, method or means, or any other confidential information" shall include, but shall not be limited to, any confidential or proprietary information, trade secrets, customer lists, drawings, designs, information regarding product development, marketing plans, sales plans, manufacturing plans, management organization information, operating policies or manuals, business plans, financial records,

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packaging design or other financial, commercial, business or technical information relating to the Company or any of its divisions, subsidiaries or affiliates, or that the Company or any of its subsidiaries or affiliates may receive belonging to suppliers, customers or others who do business with the Company or any of its divisions, subsidiaries or affiliates. Employee's obligation under this Section 4.03 shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of Employee; (iii) is known to Employee prior to his receipt of such information from the Company or any of its divisions, subsidiaries or affiliates, as evidenced by written records of Employee; or (iv) is hereafter disclosed to Employee by a third party not under an obligation of confidence to the Company or any of its divisions, subsidiaries or affiliates. Employee agrees not to remove from the premises of the Company, or as applicable, the premises of any of its divisions, subsidiaries or affiliates, except as an employee of the Company in pursuit of the business of the Company, its divisions, subsidiaries or affiliates, or except as specifically permitted in writing by the Company's Board, any document or other object containing or reflecting any such confidential information. Employee recognizes that all such documents and objects, whether developed by him or by someone else, will be the sole exclusive property of the Company and its divisions, subsidiaries or affiliates, as applicable. Upon termination of his employment hereunder, Employee shall forthwith deliver to the Company all such confidential information, including without limitation all lists of customers, correspondence, accounts, records and any other documents or property made or held by him or under his control in relation to the business or affairs of the Company or its subsidiaries or affiliates, and no copy of any such confidential information shall be retained by him.

4.04. Non-Competition Obligations. During the Term and, other than in the case of the death of the Employee, upon any termination of the employment of the Employee (including a termination by reason of either party's election not to extend the Term as provided in Section 2.01), the Employee shall not, during the Non-Competition Period (as defined below), directly or indirectly, whether as an employee, consultant, independent contractor, partner, joint venturer or otherwise, (A) engage in any business activities relating to catastrophe modeling, or underwriting catastrophe risks, on behalf of any person that competes, to a material extent, with the Company or its affiliates, or engage in other business activities reasonably determined by the Company's board to be competitive, to a material extent, with any substantial type of kind of business activities conducted by the Company or any of its affiliates at the time of termination; (B) on behalf of any person or entity engaged in business activities competitive with the business activities of the Company or any of its divisions, subsidiaries or affiliates, solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or as agent of, the Company or any of its divisions, subsidiaries or affiliates to terminate such person's contract of employment or agency, as the case may be, with the Company or with any such division, subsidiary or affiliate or (C) divert, or attempt to divert, any person, concern, or entity from doing business with the Company or any of its divisions, subsidiaries or affiliates, nor attempt to induce any such person, concern or entity to cease being a customer or supplier of the Company or any of its divisions, subsidiaries or affiliates. The preceding sentence notwithstanding, in the case of (i) any termination of employment by the Company or the Employee, and (ii) an election by the Company or the Employee not to extend the term as provided in Section 2.01, the Company may elect within 30 days after such termination, to waive the Employee's non-competition obligations, in which case it shall not be required to make payments to the Employee during the Non-Competition Period, as provided in section 5.05(a). Non-Competition Period means the period of one year following the date of termination of employment, or such shorter period as the Company may elect within 30 days after such termination.

4.05. Remedies. Employee acknowledges that the Company's remedy at law for a breach by him of the provisions of this Article IV will be inadequate. Accordingly, in the event of a breach or threatened breach by Employee of any provision of this Article IV, the Company shall be entitled to injunctive relief in addition to any

other remedy it may have. If any of the provisions of, or covenants contained in, this Article IV are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalidity or unenforceability in such

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other jurisdiction. If any of the provisions of, or covenants contained in, this Article IV are held to be unenforceable in any jurisdiction because of the duration or geographical scope thereof, the parties agree that the court making such determination shall have the power to reduce the duration or geographical scope of such provision or covenant and, in its reduced form, such provision or covenant shall be enforceable; provided, however, that the determination of such court shall not affect the enforceability of this Article IV in any other jurisdiction.

#### ARTICLE V.

##### Termination

5.01. Termination for Cause. The Company shall have the right to terminate Employee's employment at any time for "Cause". For purposes of this Agreement, "Cause" shall mean (a) Employee's failure to perform his duties under this Agreement, (b) the engaging by Employee in misconduct which is injurious to the Company or any of its divisions, subsidiaries or affiliates, monetarily or otherwise, (c) the commission by Employee of any act of fraud or embezzlement (d) the conviction of Employee of a felony, or (e) Employee's material breach of the provisions of any of Sections 4.01, 4.02, 4.03, or 4.04 of this Agreement, provided Employee has received prior written notice of such breach.

5.02. Death. In the event Employee dies during the Term, the Employee's employment shall automatically terminate, such termination to be effective on the date of Employee's death.

5.03. Disability. In the event that Employee suffers a disability which prevents him from substantially performing his duties under this Agreement for a period of at least 90 consecutive days, or 180 non-consecutive days within any 365-day period, and Employee becomes eligible for the Company's long-term disability plan, the Company shall have the right to terminate the Employee's employment, such termination to be effective upon the giving of notice to Employee in accordance with Section 6.03 of this Agreement.

5.04. Termination Without Cause. The Company may at any time terminate Employee's employment for reasons other than Cause.

5.05. Effect of Termination.

(a) Obligations of Company. In the event of any termination of the Employee's employment hereunder, the Company shall pay Employee any earned but unpaid base salary up to the date of termination. In addition, upon a termination of Employee's employment for any reason other than the Employee's death (including a termination by reason of either party's election not to extend the Term as provided in Section 2.01), the Company shall continue to pay Employee during the Non-Competition Period his then current base salary (except that, in the event of a Termination without Cause, a termination by reason of Employee's disability, or in the event that the Company elects not to extend the Term as provided in Section 2.01, the continued monthly payments shall be based on 175% of Employee's base salary as in effect at the time of Employee's termination), with such amounts to be paid in equal monthly installments commencing on the date which is one month after the date of such termination and continuing for the term of the Non-Competition Period. The preceding sentence notwithstanding, in the event of a termination of employment described in the penultimate sentence of Section 4.04 of this Agreement, if the Company elects to waive the Employee's non-competition obligation within 30 days after the date of such termination, the Company shall not be required to make the payments described in the preceding sentence.

(b) Awards. Employee's rights with respect to Awards, upon any termination of his employment with the Company, shall be governed exclusively by the terms and conditions of the Plans and any award agreements executed by Employee in connection with the Plans.

(c) Obligations of Employee. Employee may terminate his employment at any time by 10 days' written notice to the Company. Employee shall have no obligations to the Company under this Agreement after the termination of his employment other than as provided in Section 5.07, and except and to the extent Sections 4.03, 4.04 or 4.05 shall apply.

5.06. Termination Following a Change in Control. In the event that a Change in Control (as such term is defined in Holdings' 2001 Stock Incentive Plan) occurs and, on or within one year

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following the date of such Change in Control, the Employee's employment is terminated by the Company without Cause, or the Company elects not to extend the Term as provided in Section 2.01, or the Employee terminates his employment voluntarily for "Good Reason" (as hereinafter defined), then in lieu of the payments described in the second sentence of Section 5.05(a), the Company shall pay the Employee, within fifteen days following the date of such termination, a lump sum cash amount equal to two times the sum of:

(a) Employee's annual base salary at the highest rate in effect during the Term; and

(b) the highest regular annual bonus paid or payable to the Employee over the preceding three fiscal years (excluding any extraordinary or non-recurring bonus); provided, however, that in no event shall the amount

calculated in this subsection (b) exceed 150% of Employee's specified target bonus for the year in which such termination occurs.

For purposes of this Agreement, "Good Reason" means

(i) any action taken or failed to be taken by the Company or any of its officers which, without Employee's prior written consent, changes Employee's position (including titles), authority, duties or responsibilities from those in effect prior to the Change in Control, or reduces Employee's ability to carry out such duties and responsibilities;

(ii) any failure by the Company to comply with any of the provisions of Section 3 of this Agreement, other than an insubstantial or inadvertent failure which is remedied by the Company promptly after receipt of notice thereof from Employee;

(iii) the Company's requiring Employee to be employed at any location more than 35 miles further from his current principal residence than the location at which Employee was employed immediately preceding the Change in Control; or

(iv) any failure by the Company to obtain the assumption of and agreement to perform this Agreement by a successor as contemplated by Section 6.02(b) of this Agreement.

Except as specifically provided in this Section 5.06, the effect of a termination of Employee's employment following a Change in Control shall be governed by the provisions of Section 5.05.

5.07. Post-Termination Cooperation. Following any termination of Employee's employment for any reason, Employee shall reasonably cooperate with the Company to assist with existing or future investigations, proceedings, litigations or examinations involving the Holdings, the Company or any of their respective affiliates. For each day, or part thereof, that Employee provides assistance to the Company as contemplated hereunder, the Company shall pay Employee an amount equal to (x) divided by (y), where (x) equals the sum of Employee's annual base salary and target bonus as in effect on the date of Employee's termination of employment, and (y) equals 200. In addition, upon presentment of satisfactory documentation, the Company will reimburse Employee for reasonable out-of-pocket travel, lodging and other incidental expenses he incurs in providing such assistance. Employee shall not be required to travel to Bermuda to provide any assistance contemplated hereunder, but, if requested by the Company, shall make reasonable good faith efforts to travel to such locations as the Company may reasonably request.

## ARTICLE VI.

### Miscellaneous

6.01. Life Insurance. Employee agrees that the Company or any of its divisions, subsidiaries or affiliates may apply for and secure and own insurance on Employee's life (in amounts determined by the Company). Employee agrees to cooperate fully in the application for and securing of such insurance, including the submission by Employee to such physical and other examinations, and the answering of such questions and furnishing of such information by Employee, as may be required by the carrier(s) of such insurance. Notwithstanding anything to the contrary contained herein, neither the Company nor any of its divisions, subsidiaries or affiliates shall be required to obtain any insurance for or on behalf of Employee.

6.02. Benefit of Agreement; Assignment; Beneficiary. (a) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, including, without

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limitation, any corporation or person which may acquire all or substantially all of the Company's assets or business, or with or into which the Company may be consolidated or merged. This Agreement shall also inure to the benefit of, and be enforceable by, Employee and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(b) The Company shall require any successor (whether direct or indirect, by operation of law, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

6.03. Notices. Any notice required or permitted hereunder shall be in writing and shall be sufficiently given if personally delivered or if sent by telegram or telex or by registered or certified mail, postage prepaid, with return receipt requested, addressed: (a) in the case of the Company to Renaissance Services Ltd., Renaissance House, East Broadway, Hamilton, Bermuda, Attention: Secretary, or to such other address and/or to the attention of such other person as the Company shall designate by written notice to Employee; and (b) in the case of Employee, to Employee at his then current home address as shown on the Company's books, or to such other address as Employee shall designate by written notice to the Company. Any notice given hereunder shall be deemed to have been given at the time of receipt thereof by the person to whom such notice is given.

6.04. Entire Agreement; Amendment. This Agreement contains the entire agreement of the parties hereto with respect to the terms and conditions of Employee's employment and supersedes any and all prior agreements and understandings, whether written or oral, between the parties hereto with respect to compensation due for services rendered hereunder, including the Prior Agreement. This Agreement may not be changed or modified except by an instrument in writing signed by both of the parties hereto.

6.05. Waiver. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a continuing waiver or as a consent to or waiver of any subsequent breach hereof.

6.06. Headings. The Article and Section headings herein are for convenience of reference only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

6.07. Enforcement. If any action at law or in equity is brought by either party hereto to enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to reimbursement by the other party of the reasonable costs and expenses incurred in connection with such action (including reasonable attorneys' fees), in addition to any other relief to which such party may be entitled. Employee shall have no right to enforce any of his rights hereunder by seeking or obtaining injunctive or other equitable relief and acknowledges that damages are an adequate remedy for any breach by the Company of this Agreement.

6.08. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the internal laws of Bermuda without reference to the principles of conflict of laws. The parties submit to the non-exclusive jurisdiction of the courts of Bermuda.

6.09. Agreement to Take Actions. Each party to this Agreement shall execute and deliver such documents, certificates, agreements and other instruments, and shall take such other actions, as may be reasonably necessary or desirable in order to perform his or its obligations under this Agreement or to effectuate the purposes hereof.

6.10. No Mitigation; No Offset. Employee shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking (and, without limiting the generality of this sentence, no payment otherwise required under this Agreement shall be reduced on account of) other employment or otherwise, and payments under this Agreement shall not be subject to offset in respect of any claims which the Company may have against Employee.

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6.11. Attorneys' Fees. Each party to this Agreement will bear its own expenses in connection with any dispute or legal proceeding between the parties arising out of the subject matter of this Agreement, including any proceeding to enforce any right or provision under this Agreement.

6.12. Termination; Survivorship. This Agreement shall terminate upon termination of the Employee's employment, except that the respective rights and obligations of the parties under this Agreement as set forth herein shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

6.13. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision or provisions of this Agreement, which shall remain in full force and effect.

6.14. Other Agreements. Employee represents and warrants to the Company that to the best of his knowledge, neither the execution and delivery of this Agreement nor the performance of his duties hereunder violates or will violate the provisions of any other agreement to which he is a party or by which he is bound.

6.15. Subsidiaries, etc. (a) The obligations of the Company under this Agreement may be satisfied by any subsidiary or affiliate of the Company for which Employee serves as an employee under this Agreement, to the extent such obligations relate to Employee's employment by such subsidiary or affiliate.

(b) The rights of the Company under this Agreement may be enforced by any Subsidiary or affiliate of the Company for which Employee serves as an employee under this Agreement, to the extent such rights relate to Employee's employment by such subsidiary or affiliate.

6.16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

#### ARTICLE VII.

##### Indemnification of Employee

7.01. Indemnification. The Company shall defend, hold harmless and indemnify Employee to the fullest extent permitted by Bermuda law, as currently in effect or as it may hereafter be amended, from and against any and all damages, losses, liabilities, obligations, claims of any kind, costs, interest or expense (including, without limitation, reasonable attorneys' fees and expenses) (collectively, "Losses") that may be incurred or suffered by Employee in connection with or arising out of his service with the Company (whether prior to or following the date hereof), subject only to the provisions of Section 7.02 below.

7.02. Exceptions to Right of Indemnification. No indemnification shall be made under this Article VII in respect of the following:

(a) Losses relating to the disgorgement remedy contemplated by Section 16 of the US Securities Exchange Act of 1934;

(b) Losses arising out of a knowing violation by Employee of a material provision of this Article VII or any other agreement to which Employee is a party with the Company; and

(c) Losses arising out of a final, nonappealable conviction of Employee by a court of competent jurisdiction for a knowing violation of criminal law.

Moreover, the Company shall not effect any advances, or advance any costs, relating to any proceeding (or part thereof) initiated by Employee unless the initiation thereof was approved by the Board of Directors of the Company, or as may be approved or ordered by a competent tribunal.

7.03. Prepayment of Expenses. Unless Employee otherwise elects via written notice to the Company, expenses incurred in defending any civil or criminal action, suit or proceeding shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt by

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the Company of a written affirmation of Employee's good faith belief that his conduct does not constitute the sort of behavior that would preclude his indemnification under this Article VII and Employee furnishes the Company a written undertaking, executed personally or on his behalf, to repay any advances if it is ultimately determined that he is not entitled to be indemnified by the Company under this Article VII.

7.04. Continuation of Indemnity. All agreements and obligations of the Company contained in this Article VII shall continue during the period in which Employee is employed the Company and shall continue thereafter so long as Employee shall be subject to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal, by reason of the fact that Employee was a employed by the Company.

7.05. Indemnification Hereunder Not Exclusive. The indemnification and prepayment of expenses provided by this Article VII is in addition to and shall not be deemed exclusive of any other right to which Employee may be entitled under the Company's Memorandum of Association, the Company's Bye-Laws, any agreement, any vote of shareholders or disinterested directors, Bermuda law, any other law (common or statutory) or otherwise. Nothing contained in this Article VII shall be deemed to prohibit the Company from purchasing and maintaining insurance, at its expense, to protect itself or Employee against any expense, liability or loss incurred by it or him, whether or not Employee would be indemnified against such expense, liability or loss under this Article VII; provided that the Company shall not be liable under this Article VII to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Employee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise. In the event the Company makes any indemnification payments to Employee and Employee is subsequently reimbursed from the proceeds of insurance, Employee shall promptly refund such indemnification payments to the Company to the extent of such insurance reimbursement.

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[Signatures appear on following page.]

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IN WITNESS WHEREOF, the Company and Employee have duly executed this Agreement as of the date first above written.

RENAISSANCE REINSURANCE LTD.

By: /s/ Peter C. Durhager

Name: Peter C. Durhager

Title: Chief Administrative Officer

EMPLOYEE

By: /s/ Kevin J. O'Donnell

Name: Kevin J. O'Donnell

Title: Senior Vice President

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**EMPLOYMENT AGREEMENT ADDENDUM**

This addendum supplements the terms of the Employment Agreement (the "Agreement") dated June 1, 2000 between Renaissance Reinsurance Ltd. (the "Company"), and Kevin J. O'Donnell ("Employee"). (All defined terms set forth in the Agreement shall have the same meaning in this Addendum.)

WHEREAS, the Company and the Employee desire to provide for the minimum payment to be received by the Employee in the event of a termination without Cause.

NOW THEREFORE, the parties agree:

Notwithstanding anything in the Agreement to the contrary, in the event that the Employee is terminated by the Company without Cause, then:

1. The Company shall make monthly payments to the Employee in an aggregate amount equal to \$365,000 (the "Required Amount").



2. The Company shall be deemed to have elected a Non-Competition Period equal to one year multiplied by a fraction, the numerator of which is the Required Amount and the Denominator of which is the full amount that would otherwise be due pursuant to section 5.05(a) of the Agreement in the event of a Termination without Cause and an election by the Company to have a Non-Competition Period of one year. In no event shall more than a one year Non-Competition Period be required.
3. The only amount due to the Employee for the Non-Competition Obligations set forth in section 4.04 of the Agreement shall be the Required Amount, except that if the Company elects a longer period than that contemplated under paragraph 2 above then the full amount specified in section 5.05(a) of the Agreement shall be due.

RENAISSANCE REINSURANCE LTD.

By: /s/ Peter C. Durhager

Name: Peter C. Durhager

Title: Chief Administrative Officer

EMPLOYEE

By: /s/ Kevin J. O'Donnell

Name: Kevin J. O'Donnell

Title: Senior Vice President

**CERTIFICATION**

I, James N. Stanard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RenaissanceRe Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  1. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  2. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  3. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  4. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2005

/s/ James N. Stanard  
James N. Stanard  
Chief Executive Officer

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## CERTIFICATION

I, John M. Lummis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RenaissanceRe Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2005

/s/ John M. Lummis  
John M. Lummis  
Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RenaissanceRe Holdings Ltd. (the "Company") on Form 10-Q for the period ending June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James N. Stanard, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James N. Stanard

James N. Stanard  
Chief Executive Officer  
August 8, 2005

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RenaissanceRe Holdings Ltd. (the "Company") on Form 10-Q for the period ending June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lummis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John M. Lummis

John M. Lummis  
Chief Financial Officer  
August 8, 2005

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