

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996 COMMISSION FILE NO. 34-0-26512

RENAISSANCERE HOLDINGS LTD.  
(Exact name of Registrant as specified in its charter)

BERMUDA 98-013-8020  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification Number)

RENAISSANCE HOUSE, 8-12 EAST BROADWAY, PEMBROKE HM19 BERMUDA  
(Address of Principal Executive Offices)  
(441) 295-4513  
(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: COMMON SHARES, PAR  
VALUE \$1.00 PER SHARE (THE "COMMON SHARES")

SECURITIES REGISTERED PURSUANT TO SECTION 12 (G) OF THE ACT: NONE

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 ( X ) No ( )

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

The aggregate market value of Common Shares held by nonaffiliates of the  
Registrant as of March 17, 1997 was \$217,235,400, based on the closing sale  
price of the Common Shares on the New York Stock Exchange on that date.

The number of Common Shares outstanding as of March 17, 1997 was  
22,876,084.

DOCUMENTS INCORPORATED BY REFERENCE

Sections of the Registrant's Annual Report to Shareholders mailed to  
shareholders on or about March 21, 1997 (the "Annual Report") are incorporated  
by reference into Part II of this Form 10-K. With the exception of the sections  
of the Annual Report specifically incorporated by reference herein, the Annual  
Report is not deemed to be filed as part of this Form 10-K.

Sections of the Registrant's definitive proxy statement to be filed with  
the Securities and Exchange Commission (the "Commission") pursuant to Regulation  
14A under the Securities Exchange Act of 1934 relating to the Registrant's  
Annual General Meeting of Shareholders to be held on May 8, 1997 (the "Proxy  
statement") are incorporated by reference into Part III of this Form 10-K. With  
the exception of the sections of the Proxy Statement specifically incorporated  
by reference herein, the Proxy Statement is not deemed to be filed as part of  
this Form 10-K.

RENAISSANCERE HOLDINGS LTD.

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## PART I

### ITEM 1. BUSINESS

Unless the context otherwise requires, references herein to the "Company" include RenaissanceRe Holdings Ltd. and its subsidiaries, Renaissance Reinsurance Ltd., a Bermuda company and wholly owned subsidiary ("Renaissance Reinsurance"), and Glencoe Insurance Ltd., a Bermuda company and majority owned subsidiary ("Glencoe"). This Report and the information incorporated herein by reference may contain forward-looking statements which involve certain material risks and uncertainties. The Company's actual results may differ significantly from the results discussed in such forward-looking statements. The words "believes," "anticipated," "expects" and similar expressions are intended to identify forward-looking statements. Certain terms used below are defined in the "Glossary of Selected Insurance Terms" appearing on pages 16-18 of this Report.

#### GENERAL

RenaissanceRe Holdings Ltd. was formed in June 1993 and is the parent of Renaissance and Glencoe. The Company was formed by Warburg, Pincus Investors, L.P. ("WPI"), GE Investment Private Placement Partners I, Limited Partnership ("GEIPPPPI"), Trustees of General Electric Pension Trust ("GEPT") and United States Fidelity and Guaranty Company ("USF&G") (collectively, the "Founding Institutional Investors"). As of March 17, 1997, WPI, USF&G and certain affiliates of GEPT and GEIPPPPI owned an aggregate of approximately 71.4% of the Company's outstanding equity.

The Company's principal business is property catastrophe reinsurance, written on a worldwide basis through Renaissance Reinsurance. Based on gross premiums written, the Company is the largest Bermuda-based provider of property catastrophe reinsurance coverage and one of the largest providers of this coverage in the world. The Company provides property catastrophe reinsurance coverage to insurance companies and reinsurers primarily on an excess of loss basis. Excess of loss coverage generally provides coverage for claims in excess of a specified loss. The Company is also exposed to claims arising from other natural and man-made catastrophes such as winter storms, freezes, floods, fires and tornados in connection with the coverages it provides.

The Company's principal operating objective is to utilize its capital efficiently by focusing on the writing of property catastrophe reinsurance and other insurance and reinsurance coverages with superior risk/return characteristics, while maintaining a low cost operating structure in the favorable regulatory and tax environment of Bermuda. The Company's primary underwriting goal is to construct a portfolio of insurance and reinsurance contracts that maximizes the return on shareholders' equity subject to prudent risk constraints. The Company manages its risks through a variety of means, including the use of contract terms, portfolio selection methodology, diversification criteria and probability analyses. While property catastrophe reinsurance represented approximately 95% of the Company's gross premiums written in each of 1996, 1995 and 1994 and continues to be the Company's primary focus, the Company may seek to take advantage of perceived opportunities in other insurance and reinsurance markets.

For the years ended December 31, 1996, 1995 and 1994 the Company achieved annualized returns on average shareholders' equity of 30.2%, 43.3% and 44.1% respectively, and combined ratios of 51.3%, 52.0% and 61.6%, respectively. The Company achieved these results despite the occurrence of several major catastrophes in 1995 (which, according to industry trade sources, had the third highest level of U.S. property catastrophe insured losses on record) and the occurrence in January 1994 of the Northridge, California earthquake, the second largest insured catastrophe loss in U.S. history. The major catastrophes occurring in 1996 related to Hurricane Fran in September, which produced an estimated \$1.6 billion of insurance industry losses, the Northeastern United States winter storms in January and the Northwestern United States floods in December. At December 31, 1996, the Company had total assets of \$904.8 million and total shareholders' equity of \$546.2 million. There can be no assurance that the Company will achieve similar results in the future.

As part of the Company's exposure management modeling, the Company analyzes the estimated impact of large natural catastrophes and weather-related events. If one or a series of such large events occurred, the Company's return on equity and combined ratio could be significantly adversely impacted. In addition, the Company's historical returns on equity and combined ratios resulted, in part, from industry pricing prevailing in such prior periods. There can be no assurance that future industry pricing will not adversely affect the Company's returns on equity or combined ratios.

In conjunction with the Company's strategy to identify and participate in certain attractive insurance and reinsurance markets, the Company capitalized Glencoe in January 1996 with a \$50.0 million capital contribution. Glencoe seeks to employ in the primary insurance market the modeling, underwriting, customer service and capital management approaches that Renaissance Reinsurance employs with respect to its reinsurance policies. Glencoe primarily writes property insurance that is exposed to natural catastrophes. Glencoe operates as a Bermuda-domiciled company and has been approved to do business on an excess and surplus lines basis in twenty-one states, including California, where it has primarily written earthquake exposure insurance. Glencoe will also consider submissions from insureds located in other international jurisdictions where it has been approved with respect to exposures for which it has underwriting expertise. On June 7, 1996, the Company sold an aggregate of 29.9% of the outstanding shares of Glencoe to certain minority investors, and as of December 31, 1996 the Company's equity in Glencoe was \$35.7 million. For the year ended December 31, 1996, Glencoe had gross written premiums and net income of \$1.6 million and \$.9 million, respectively, and accordingly did not contribute materially to the Company's results of operations in 1996.

#### RATINGS

Renaissance Reinsurance has been assigned an "A" claims-paying ability rating from each of Standard & Poor's Rating Service ("S&P") and A.M. Best Company ("A.M. Best"), representing independent opinions of the Company's financial strength and ability to meet its obligations to policyholders.

The "A" range (A+, A and A--) is the second highest of four ratings ranges within what S&P considers the "secure" category. Insurance companies assigned a claims-paying ability rating in the "A" range are believed by S&P to provide good financial security, but their capacity to meet policyholder obligations is somewhat susceptible to adverse economic and underwriting conditions.

"A (Excellent)" is the third highest of A.M. Best's fifteen ratings designations. Insurance companies assigned an "A" or "A--" rating by A.M. Best are companies which, in A.M. Best's opinion, have demonstrated excellent overall performance when compared to the standards established by A.M. Best and have a strong ability to meet their obligations to policyholders over a long period of time.

#### STRATEGY

The principal components of the Company's business strategy are:

- . Focus on Property Catastrophe Reinsurance Business. The company's primary focus is property catastrophe reinsurance, which represented approximately 95% of the Company's gross premiums written in each of 1996, 1995 and 1994. while the Company's management ("Management") intends to maintain the Company's primary focus on property catastrophe reinsurance for the foreseeable future, the Company may seek to take advantage of perceived market opportunities in other insurance and reinsurance markets.
- . Build a Superior Portfolio of Property Catastrophe Reinsurance by Utilizing Proprietary Modeling Capabilities. Management assesses underwriting decisions on the basis of the expected incremental return on equity of each new reinsurance contract in relation to the Company's overall portfolio of reinsurance contracts. To facilitate this, Management has developed REMS(C), a proprietary, computer-based pricing and exposure management system. The Company utilizes REMS(C) to assess property catastrophe risks, price treaties and limit aggregate exposure. REMS(C) was developed with assistance

from Tillinghast, an actuarial consulting unit of Towers, Perrin, Forster & Crosby, Inc. ("Tillinghast"), and Applied Insurance Research, Inc. ("AIR"), the developer of the CATMAP/TM/ system. The Company combines the analyses generated by REMS(C) with its own knowledge of the client submitting the proposed program to assess the premium offered against the risk of loss that such program presents. See "--Underwriting."

. Utilize the Company's Capital Base Efficiently While Maintaining Prudent Risk Levels in the Company's Reinsurance Portfolio. The Company manages its risks through a variety of means, including the use of contract terms, portfolio selection methodology, diversification criteria and probability analyses. By using such measures and by employing its proprietary modeling capabilities, the Company attempts to construct a portfolio of reinsurance contracts which maximizes the use of its capital while optimizing the risk-reward characteristics of its portfolio. The Company relies less on traditional ratios, such as net premiums written to surplus, because the Company believes that such statistics do not adequately reflect the risk in the property catastrophe reinsurance business. Management believes the level of net premiums written relative to surplus does not reflect the composition of a reinsurer's attachment points, aggregate limits, geographic diversification, and other material elements of the risk exposures embodied in a reinsurer's book of business.

. Capitalize on the Experience and Skill of Management. The Company's senior management team has extensive experience in the reinsurance and/or insurance industries, with an average of approximately 20 years of experience for the five senior executives of the Company. Additionally, senior management is supported by an officer group with an average of approximately ten years of experience in the reinsurance and/or insurance industries.

. Build and Maintain Long-Term Relationships with Brokers and Clients. The Company markets its products worldwide exclusively through reinsurance brokers and excess and surplus lines brokers. The Company believes that its existing portfolio of business is a valuable asset given the renewal practices of the industry. The Company believes that it has established a reputation with its brokers and clients for prompt response on underwriting submissions, for fast claims payments and for the development of customized programs. See "--Marketing."

. Maintain a Low Cost Structure. Management believes that as a result of its ability to maintain a small staff and by basing operations in the favorable regulatory and tax environment of Bermuda, the Company is able to maintain low operating costs relative to its capital base and net premiums earned. As of December 31, 1996, the Company had 29 employees.

#### INDUSTRY TRENDS

The high level of worldwide property catastrophe losses in terms of both frequency and severity from 1987 to 1993 had a significant effect on the results of property insurers and property catastrophe reinsurers and on the worldwide property catastrophe reinsurance market, causing some reinsurers, including Lloyd's of London, to withdraw from the market or reduce their underwriting commitments while also causing a substantial increase in market demand, particularly in the United States, Japan and the United Kingdom. In particular, these events included Hurricane Hugo (U.S. 1989), Hurricane Andrew (U.S. 1992), Typhoon Mireille (No. 19) (Japan 1991) and Winter Storm Daria (90A) (Northern Europe 1990).

The increase in demand for property catastrophe reinsurance was attributable to several factors. The significant property catastrophe losses occurring during 1987 through 1993 caused many insurers and reinsurers to reexamine their assumptions regarding their need for reinsurance protection from catastrophe exposures. In addition, regulators and rating agencies, such as S&P, increased their scrutiny of insurers and reinsurers with respect to their catastrophe exposure. For example, Typhoon Mireille (No. 19) resulted in greater scrutiny by the Minister of Finance of Japan of insurers and reinsurers with respect to catastrophe exposure, thereby increasing

demand for property catastrophe reinsurance in Japan. In addition, A.M. Best began to require completion of a catastrophe loss analysis questionnaire dealing with expected claims resulting from potential catastrophic events. Finally, a general increase in insured property values in catastrophe-exposed areas contributed to increased demand for property catastrophe insurance and reinsurance. This supply/demand imbalance caused a significant increase in prevailing premium rates for property catastrophe reinsurance worldwide in 1993.

In response to this imbalance, approximately \$4.0 billion of capital entered the Bermuda-based property catastrophe reinsurance market in 1992 and 1993. The Bermuda property-catastrophe reinsurance market has subsequently grown markedly, having aggregate capital of approximately \$5.5 billion as of December 31, 1996, and accounting for approximately 25% to 35% of the worldwide property catastrophe gross premiums written in 1996, according to industry trade reports. The increased property catastrophe reinsurance capacity represented by the Bermuda market helped balance supply and demand in the property catastrophe reinsurance market and, as a result thereof, the terms of trade in the property catastrophe reinsurance market stabilized in 1995. In 1996, according to industry trade sources, worldwide price levels decreased by an average of 10% to 15%. Based on reinsurance treaty renewals received by the Company and publicly available industry trade data, initial indications are that price levels will decline at a similar pace in 1997. Rates have declined significantly in areas outside the United States, where there has been favorable loss experience, while in the United States, where the level of property catastrophe losses has generally been higher than in international markets in recent years, rates have decreased to a lesser degree. However, current terms of trade have remained, and Management believes are likely to remain, higher than the terms of trade that existed in 1992.

Premium rates or other terms or conditions of trade may vary in the future, the present level of demand may not continue and the present level of supply may increase as a result of capital provided by recent or future market entrants or by existing property catastrophe reinsurers. Some of the property catastrophe reinsurers who have entered the worldwide reinsurance markets (or may enter them in the future) have or could have more capital than the Company. The full effect of this additional capital on the property catastrophe reinsurance market may not be known for some time. No assurance can be given as to what impact this additional capital will ultimately have on terms or conditions for reinsurance contracts of the types written by the Company.

Management is aware of a number of new, proposed or potential legislative or industry changes that may impact the worldwide demand for property catastrophe reinsurance and other products offered by the Company. In the United States, the states of Hawaii and Florida have implemented arrangements whereby property insurance in catastrophe prone areas is provided through state-sponsored entities. Part of such reinsurance is placed outside of the traditional reinsurance market (i.e., through the use of capital or derivative market instruments) or in the finite reinsurance market. The California Earthquake Authority, the first privately financed, publicly operated residential earthquake insurance pool, provides earthquake insurance to California homeowners. Currently before the U.S. Congress are two draft bills, the Homeowners' Insurance Availability Act of 1997 and the Natural Disaster Protection and Insurance Act of 1997, which would establish a federal program to provide reinsurance for state disaster insurance programs and ensure the availability and affordability of insurance against catastrophic natural disasters, respectively, and could impact upon the demand for, and availability of, traditional reinsurance. In the United Kingdom, the government has enacted a bill to allow insurers to build claim equalization reserves which might reduce the amount of property reinsurance necessary in the marketplace. Management is also aware of many potential initiatives by capital market participants to produce alternative products that may compete with the existing catastrophe reinsurance markets. Management is unable to predict the extent to which the foregoing new, proposed or potential initiatives may affect the demand for the Company's products or the risks which may be available for the Company to consider underwriting.

#### REINSURANCE PRODUCTS

The Company's property catastrophe reinsurance contracts are generally "all risk" in nature. The Company's most significant exposure is to losses from earthquakes and hurricanes, although the Company is also exposed to claims arising from other natural and man-made catastrophes, such as winter storms, freezes, floods, fires and tornados in connection with the coverages it provides. The Company's predominant exposure under such coverages is to property damage. However, other risks, including business interruption and other non-property

losses, may also be covered under the property catastrophe reinsurance contract when arising from a covered peril. In accordance with market practice, the Company's property catastrophe reinsurance contracts generally exclude certain risks such as war, nuclear contamination or radiation.

Catastrophic events of significant magnitude have historically been relatively infrequent, although the property catastrophe reinsurance market has experienced a high level of worldwide catastrophe losses in terms of both frequency and severity from 1987 to 1996 as compared to prior years. However, because of the wide range of the possible catastrophic events to which the Company is exposed, and because of the potential for multiple events to occur in the same time period, the Company's business is volatile, and its results of operations will reflect such volatility. Further, the Company's financial condition may be impacted by this volatility over time or at any point in time. The effects of claims from one or a number of severe catastrophic events could have a material adverse effect on the Company. The Company expects that increases in the values and concentrations of insured property and the effects of inflation will increase the severity of such occurrences per year in the future.

The Company seeks to diversify its reinsurance portfolio to moderate the volatility described in the preceding paragraph. The principal means of diversification employed by the Company are by type of reinsurance, geographic coverage, attachment point and limit per program.

#### TYPE OF REINSURANCE

The following table sets forth the Company's gross premiums written and number of programs written by type of reinsurance.

TYPE OF REINSURANCE	YEAR ENDED DECEMBER 31, 1996		YEAR ENDED DECEMBER 31, 1995		YEAR ENDED DECEMBER 31, 1994	
	GROSS PREMIUMS WRITTEN	NUMBER OF PROGRAMS	GROSS PREMIUMS WRITTEN	NUMBER OF PROGRAMS	GROSS PREMIUMS WRITTEN	NUMBER OF PROGRAMS
	(dollars in millions)		(dollars in millions)		(dollars in millions)	
Catastrophe excess of loss.....	\$157.6	293	\$146.8	271	\$136.0	239
Excess of loss retrocessions.....	70.4	105	73.8	105	59.1	101
Proportional retrocessions of catastrophe excess of loss.....	33.3	11	56.7	12	59.8	10
Marine, aviation and other.....	8.6	25	15.3	35	18.6	44
Total.....	\$269.9	434	\$292.6	423	\$273.5	394
	=====	===	=====	=====	=====	===

**Catastrophe Excess of Loss Reinsurance.** Catastrophe excess of loss reinsurance provides coverage when aggregate claims and claim adjustment expenses from a single occurrence of a covered peril exceed the attachment point specified in a particular contract. A portion of the Company's property catastrophe excess of loss contracts limit coverage to one occurrence in a contract year, but most such contracts provide for coverage of a second occurrence after the payment of a reinstatement premium. The coverage provided under excess of loss retrocessional contracts may be on a worldwide basis or limited in scope to selected geographic areas. Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage.

**Excess of Loss Retrocessional Reinsurance.** The Company also enters into retrocessional contracts pursuant to which it provides property catastrophe coverage to other reinsurers or retrocedents. In providing retrocessional reinsurance, the Company focuses on property catastrophe retrocessional reinsurance which covers the retrocedent on an excess of loss basis when aggregate claims and claim adjustment expenses from a single occurrence of a covered peril and from a multiple number of reinsureds exceed a specified attachment point. The coverage provided under excess of loss retrocessional contracts may be on a worldwide basis or limited in scope to selected geographic areas. Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage. In general, excess of loss retrocessional contracts are for a term of one year. Retrocessional coverage is characterized by high volatility, principally because retrocessional contracts expose a

reinsurer to an aggregation of losses from a single catastrophic event. In addition, retrocessional underwriters information concerning the original primary risk can be less precise than information received from primary companies directly. Moreover, exposures from retrocessional business can change within a contract term as the underwriters of a retrocedent alter their book of business after retrocessional coverage has been bound.

**Proportional Retrocessional Reinsurance.** The Company writes proportional retrocessions of catastrophe excess of loss reinsurance treaties when it believes that premium rates and volume are attractive. In such proportional retrocessional reinsurance, the Company assumes a specified proportion of the risk on a specified coverage and receives an equal proportion of the premium. The ceding insurer receives a commission, based upon the premiums ceded to the reinsurer, and may also be entitled to receive a profit commission based on the ratio of losses, loss adjustment expense and the reinsurer's expenses to premiums ceded. A proportional retrocessional catastrophe reinsurer is dependent upon the ceding insurer's underwriting, pricing and claims administration to yield an underwriting profit, although the Company generally obtains detailed underwriting information concerning the exposures underlying the proportional retrocessions of catastrophe excess of loss reinsurance treaties which it writes. In addition, all of the Company's proportional retrocessions of catastrophe excess of loss reinsurance contracts have aggregate risk exposure limits per event.

**Marine, Aviation and Other Reinsurance.** The Company has also written short-tail marine and aviation reinsurance and retrocessional reinsurance for selected domestic and foreign insurers and reinsurers. Marine and aviation risks involve primarily property damage, although certain marine and aviation risks may involve casualty coverage arising from the same event causing the property claim. Coverage is generally written in excess of a substantial attachment point, so events likely to cause a claim will occur infrequently, such as the destruction of a drilling platform, the loss of a satellite or the loss of a sizable vessel and its contents. Although the Company focuses on writing catastrophe excess of loss reinsurance, the Company also writes risk excess of loss reinsurance and retrocessions. The risk excess of loss treaties in which the Company participates generally contain limited reinstatement provisions. In selected cases, the Company also writes customized financial reinsurance contracts when the expected returns are particularly attractive.

#### GEOGRAPHIC DIVERSIFICATION

The Company seeks to diversify its exposure across geographic zones. The Company writes the majority of its business within the United States because the returns obtained relative to the risks involved are currently most attractive in the United States and because it is able to obtain the most detailed underwriting information on U.S. risks. Within the United States, the Company's zones of highest exposure are Southern California, Northern California, metropolitan New York, New Madrid (midwestern United States) and Southern Florida.

The following table sets forth the percentage of the Company's gross premiums written allocated to the territory of coverage exposure.



GEOGRAPHIC AREA	YEAR ENDED DECEMBER 31, 1996		YEAR ENDED DECEMBER 31, 1995		YEAR ENDED DECEMBER 31, 1994	
	GROSS PREMIUMS WRITTEN	PERCENTAGE OF GROSS PREMIUMS WRITTEN	GROSS PREMIUMS WRITTEN	PERCENTAGE OF GROSS PREMIUMS WRITTEN	GROSS PREMIUMS WRITTEN	PERCENTAGE OF GROSS PREMIUMS WRITTEN
	(dollars in millions)		(dollars in millions)		(dollars in millions)	
United States.....	\$126.6	46.9%	\$144.1	49.2%	\$129.3	47.3%
Worldwide.....	44.5	16.5	59.1	20.2	50.8	18.6
Worldwide (excluding U.S.)(1).....	38.7	14.3	41.3	14.1	38.5	14.1
Europe (including the U.K.)....	31.5	11.7	25.4	8.7	26.1	9.5
Other.....	19.0	7.0	11.7	4.0	19.2	7.0
Australia and New Zealand..	9.6	3.6	11.0	3.8	9.6	3.5
Total.....	\$269.9	100.0%	\$292.6	100.0%	\$273.5	100.0%

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

#### PROGRAM LIMITS

The following table sets forth the number of the Company's programs in force at December 31, 1996 by aggregate program limits.

	NUMBER OF PROGRAMS
\$25-35 million.....	8
\$20-25 million.....	7
\$15-20 million.....	9
\$10-15 million.....	25
Less than \$10 million..	385
Total.....	434

#### UNDERWRITING

The Company's primary underwriting goal is to construct a portfolio of reinsurance contracts that maximizes the return on shareholders' equity subject to prudent risk constraints.

Management assesses underwriting decisions on the basis of the expected incremental return on equity of each new reinsurance contract in relation to the Company's overall portfolio of reinsurance contracts. To facilitate this, Management has developed REMS(C), a proprietary, computer-based pricing and exposure management system. Management utilizes REMS(C) to assess property catastrophe risks, price treaties and limit aggregate exposure. REMS(C) was developed with consulting assistance from Tillinghast and AIR, the developer of the CATMAP/TM/ system. REMS(C) has analytic and modeling capabilities that assist the Company's underwriters in assessing the catastrophe exposure risk and return of each incremental reinsurance contract in relation to the Company's overall portfolio of reinsurance contracts. Management combines the analyses generated by REMS(C) with its own knowledge of the client submitting the proposed program to assess the premium offered against the risk of loss which such program presents.

REMS(C) provides more precise geographic information than is currently generally analyzed throughout the property catastrophe reinsurance industry. REMS(C) combines computer-generated, statistical simulations that

estimate catastrophic event probabilities, client exposure information and coverage information on each client's reinsurance contract to produce expected claims for reinsurance programs submitted to the Company. REMS(C) then uses simulation techniques to generate 40,000 years of catastrophic event activity, including individual events causing in excess of \$200 billion in insured industry losses. From this 40,000 year simulation, the Company is able to obtain expected claims, expected profits and a probability distribution of potential outcomes for each program in its portfolio and for its total portfolio.

The Company has licensed and integrated into REMS(C) six commercially available catastrophe computer models in addition to the Company's base model. The Company uses these models to validate and stress test its base REMS(C) results. In addition, the Company stress tests its exposures and potential future results by increasing the frequency and severity of catastrophic events above the levels embedded in the models purchased from the outside consultants.

Management believes that REMS(C) provides the Company's underwriters with several competitive advantages which are not generally available. These include (i) the ability to simulate 40,000 years of catastrophic event activity compared to a much smaller sample in generally available models, allowing the Company to analyze its exposure to a greater number of potential events, (ii) the ability to analyze the incremental impact of an individual reinsurance contract on the Company's overall portfolio, and (iii) the ability to collect detailed data from a wide variety of sources which allows the Company to measure geographic exposure at a detailed level.

For its property catastrophe reinsurance business, the Company has developed underwriting guidelines that limit the amount of exposure it will underwrite directly for any one cedent, the exposure to claims from any single catastrophic event and the exposure to losses from a series of catastrophic events. The Company also seeks to evaluate the geographic distribution of risks. The zones with the greatest exposure are Southern California, Northern California, metropolitan New York, New Madrid (midwestern United States) and Southern Florida. The Company also attempts to distribute its exposure across a range of attachment points. Although the Company has limited historical underwriting experience because it was formed in June 1993, the Company's underwriting personnel have substantial experience in the markets in which the Company operates. Although Management has extensive prior experience in assessing risks and managing exposures in the property catastrophe reinsurance industry, the Company's operating experience is limited and no assurance can be given that the Company will be able to accurately assess underwriting risks, price treaties or sufficiently limit its aggregate exposure.

As part of its pricing and underwriting process, the Company typically assesses a variety of factors, including the reputation of the proposed cedent and the likelihood of establishing a long-term relationship with the cedent; the geographic area in which the cedent does business and its market share; historical loss data for the cedent and, where available, for the industry as a whole in the relevant regions, in order to compare the cedent's historical catastrophe loss experience to industry averages; the cedent's pricing strategies; and the perceived financial strength of the cedent.

#### MARKETING

The Company markets its reinsurance products worldwide exclusively through reinsurance brokers. The Company focuses its marketing efforts on targeted brokers and insurance and reinsurance companies, placing primary emphasis on existing clients. Management believes that its existing portfolio of business is a valuable asset given the renewal nature of the reinsurance industry and, therefore, attempts to continually strengthen relationships with its existing brokers and clients. The Company also targets prospects that are deemed likely to enhance the risk/return composition of its portfolio, that are capable of supplying detailed and accurate underwriting data and potentially add diversification to the Company's book of business.

Management believes that primary insurers' and brokers' willingness to use a particular reinsurer is based not just on pricing terms, but on the financial security of the reinsurer, its claims paying ability ratings, perceptions of the quality of a reinsurer's service, the reinsurer's willingness to design customized programs, its long-term stability and its commitment to provide reinsurance capacity. Management believes that the Company has established a reputation with its brokers and clients for prompt response on underwriting submissions and for fast

claims payments. Since the Company selectively writes large lines on a limited number of property catastrophe reinsurance contracts, it can establish reinsurance terms and conditions on these contracts that are attractive in its judgment, make large commitments to the most attractive programs and provide superior client responsiveness. In addition, the Company acts as sole reinsurer on several property catastrophe reinsurance contracts, which allows the Company to take advantage of its ability to develop customized reinsurance programs. Management believes that such customized programs help the Company to develop long-term relationships with brokers and clients.

The Company's brokers perform data collection, contract preparation and other administrative tasks, enabling the Company to market its reinsurance products cost effectively by maintaining a smaller staff. The Company believes that by maintaining close relationships with brokers, it is able to obtain access to a broad range of potential reinsureds. Subsidiaries and affiliates of Marsh & McLennan, Incorporated, E.W. Blanch Co., Inc., Greig Fester Limited, Alexander Howden Reinsurance Brokers Ltd. and Bates Turner, Inc. accounted for approximately 15.2%, 14.9%, 11.5%, 10.1% and 6.8%, respectively, of the Company's net premiums written in 1996. During such period, the Company issued authorization for coverage on programs submitted by 65 brokers worldwide. The Company received approximately 1,584 program submissions during 1996. The Company is highly selective and, from such submissions, the Company issued authorizations for coverage for only 434 programs, or 27.4% of the program submissions received.

#### RESERVES

The Company's policy is to establish claim reserves for the settlement costs of all claims and claim adjustment expenses incurred. The Company incurred claims of approximately \$86.6 million, \$110.6 million and \$114.1 million for the years ended December 31, 1996, 1995 and 1994, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 5 to the consolidated financial statements of the Company (the "Consolidated Financial Statements") included in the Annual Report and incorporated herein by reference thereto.

Under United States generally accepted accounting principles ("GAAP"), the Company is not permitted to establish claim reserves with respect to its property catastrophe reinsurance policies until an event which gives rise to a claim occurs. Generally, reserves will be established without regard to whether any future claim may subsequently be contested by the Company. Any reserve for claims and claim expenses may also include reserves for unpaid reported claims and claim expenses and reserves for estimated losses that have been incurred but not reported to the Company. Such reserves are estimated by Management based upon reports received from ceding companies, as supplemented by the Company's own estimates of reserves on such reported losses as well as reserves for losses that are incurred but not reported. The Company utilizes both proprietary and commercially available models as well as historical reinsurance industry loss development patterns to assist in the establishment of appropriate claim reserves. In addition, when reviewing a proposed reinsurance contract, the Company typically receives and evaluates the insured's historical and projected loss experience with respect to certain events. The Company's reserve estimates will be continually reviewed and, in accordance with GAAP, as adjustments to these reserves become necessary, such adjustments will be reflected in current operations.

Claim reserves represent estimates, including actuarial and statistical projections at a given point in time, of an insurer's or reinsurer's expectations of the ultimate settlement and administration costs of claims incurred, and it is possible that the ultimate liability may exceed or be less than such estimates. Such estimates are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends in claim severity and frequency and other variable factors such as inflation. During the claim settlement period, it often becomes necessary to refine and adjust the estimates of liability on a claim either upward or downward. Even after such adjustments, ultimate liability may exceed or be less than the revised estimates. Reserve estimates by new property catastrophe reinsurers, such as the Company, may be inherently less reliable than the reserve estimates of a reinsurer with a stable volume of business and an established claim history.

INVESTMENTS

The Company's strategy is to maximize its underwriting profitability and fully deploy its capital through its underwriting activities; consequently, the Company has established an investment policy which it considers to be conservative. The Company's investment guidelines, which are established by Management and approved by the Company's Board of Directors, stress diversification of risk, preservation of capital and market liquidity. Notwithstanding the foregoing, the Company's investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. The primary objective of the portfolio, as set forth in such guidelines, is to maximize investment returns consistent with these policies. To achieve this objective, the Company's current fixed income investment guidelines call for an average credit quality of AA and a target duration of two years. At December 31, 1996, all of the securities in the portfolio were of non-U.S. issuers. The Company's investment guidelines, which are subject to change at the discretion of the Board of Directors of the Company, are discussed further below.

During 1996, the Company developed a multi-currency asset/liability optimization model in conjunction with Tillinghast and Falcon Asset Management to integrate asset, liability and capital decisions. As a result of the analysis generated by this model, the Company determined it could diversify its investment portfolio by investing in common stocks with only a minimal increase in overall risk. The analysis demonstrated that the benefits of this diversification would substantially offset the volatility inherent in equity investments, and would therefore not require significant amounts of additional capital to support the Company's underwriting activities. During 1997, the Company intends to reallocate \$50 million of its fixed maturity portfolio to equity securities.

The following table summarizes the fair value of the investments and cash and cash equivalents of the Company.

TYPE OF INVESTMENT	DECEMBER 31,		
	1996	1995	1994
	(dollars in millions)	(dollars in millions)	(dollars in millions)
Fixed Maturities Available for Sale:			
Non-U.S. sovereign government bonds.....	\$239.4	\$201.9	\$ 64.0
Non-U.S. corporate debt securities.....	329.6	299.5	128.6
Non-U.S. mortgage-backed securities.....	34.5	22.4	14.4
Subtotal.....	603.5	523.8	207.0
Short-term investments.....	-	5.0	77.5
Cash and cash equivalents..	199.0	139.2	153.0
Total fixed maturity investments, short-term investments and cash and cash equivalents.....	\$802.5	\$668.0	\$437.5

The following table summarizes the fair value by contractual maturities of the Company's fixed maturity investment portfolio. All mortgage-backed securities mature within five years.

	DECEMBER 31,		
	1996	1995	1994
	(dollars in millions)	(dollars in millions)	(dollars in millions)
Due in less than one year..	\$ 56.1	\$ 75.1	--
Due after one through five years.....	457.1	358.3	\$154.3
Due after five through ten years.....	90.3	90.4	52.7
Total.....	\$603.5	\$523.8	\$207.0

MATURITY AND DURATION OF PORTFOLIO

Currently, the Company maintains a target duration of two years, reflecting Management's belief that it is important to maintain a liquid, short duration portfolio to better assure the Company's ability to pay claims on a timely basis. The actual portfolio duration may not exceed the target duration by more than two years. The

Company expects to reevaluate the target duration in light of estimates of the duration of its liabilities and market conditions, including the level of interest rates, from time to time.

#### QUALITY OF DEBT SECURITIES IN PORTFOLIO

The Company's investment guidelines stipulate that the minimum credit rating for securities purchased for the Company's portfolio is BB, that a maximum of 10% of the portfolio be rated BBB or below and that the overall average rating of the portfolio, including cash and cash equivalents, be at least AA.

The following table summarizes the composition of the fair value of the fixed maturity portfolio by rating as assigned by S&P or, with respect to non-rated issues, estimated by the Company's investment managers as to the rating S&P would assign if such issues had been rated as of December 31, 1996, 1995 and 1994, respectively.

	DECEMBER 31,		
	1996	1995	1994
AAA.....	28.1%	39.5%	12.9%
AA.....	50.1	41.6	45.0
A.....	20.2	15.3	35.3
BBB.....	1.6	3.6	6.8
	-----	-----	-----
	100.0%	100.0%	100.0%
	=====	=====	=====

#### EQUITY SECURITIES/REAL ESTATE

The Company's portfolio does not contain any direct investments in real estate or mortgage loans.

#### FOREIGN CURRENCY EXPOSURES

All of the Company's fixed maturities are currently invested in fixed income securities denominated in U.S. dollars. The Company's investment managers may be instructed to invest some of the investment portfolio in securities denominated in currencies other than U.S. dollars based upon the business the Company anticipates writing, the exposures and claims reserves on the Company's books and currency outlooks compared to that of the U.S. dollar. The primary risk exposures and premiums receivable are denominated in U.S. dollars, European currencies, Japanese yen and Australian dollars. The Company's fixed maturity portfolio is generally not invested so as to hedge exposures to various currencies. The Company maintains a portion of its foreign currency premiums in the original currency as cash investments in anticipation of known and potential claims.

#### DIVERSIFICATION AND LIQUIDITY

Pursuant to the investment guidelines of the Company, there is no limit on the percentage of the Company's investment portfolio that may be invested in the securities of any sovereign government or agency issuing in its own currency. No more than 20% of the portfolio may be invested in securities issued by any single issuer, maturing in one year or less or in obligations of any single issuer that is rated AA or AAA by S&P, or Aa or Aaa by Moody's and is either (i) a sovereign (or guaranteed by a sovereign) issuing in a currency other than its own, (ii) a local government entity or (iii) a supranational entity. Up to 10% of the portfolio may be invested in obligations of issuers not described above, but with ratings of AA or AAA by S&P, or Aa or Aaa by Moody's, and up to 7% and 5% of the portfolio may be invested in obligations of single A issuers and BBB issuers, respectively, as rated by S&P or single A issuers and Baa issuers, respectively, as rated by Moody's. In addition, BBB issuers and Baa issuers, in the aggregate, are limited to 10% of total portfolio assets.

## INVESTMENT ADVISERS

The Company has entered into investment advisory agreements (the "Investment Advisory Agreements") with each of Warburg, Pincus Counsellors (Bermuda) ("Counsellors"), an affiliate of a shareholder of the Company, GE Investment Management Incorporated ("GE Investment Management"), an affiliate of a shareholder of the Company, the Bank of N.T. Butterfield & Son Limited ("Butterfield Bank") and Falcon Asset Management (Bermuda), an affiliate of a shareholder of the Company ("Falcon"). The terms of the Investment Advisory Agreements were determined in arms' length negotiations. The performance of, and the fees paid to, Counsellors, GE Investment Management, Falcon and Butterfield Bank under the Investment Advisory Agreements are reviewed periodically by the Investment Committee of the Board of Directors of the Company.

## COMPETITION

The property catastrophe reinsurance industry is highly competitive and is undergoing a variety of challenging developments, including a marked trend toward greater consolidation. The Company competes, and will continue to compete, with major U.S. and non-U.S. property catastrophe insurers, reinsurers and certain underwriting syndicates. Many of these competitors have greater financial, marketing and management resources than the Company. In addition, new companies may enter the property catastrophe reinsurance market or existing reinsurers may deploy additional capital in the property catastrophe reinsurance market. The Company cannot predict what effect any of these developments may have on the Company and its business.

Competition in the types of reinsurance business that the Company underwrites is based on many factors, including premium charges and other terms and conditions offered, services provided, speed of claims payment, ratings assigned by independent rating agencies, the perceived financial strength and experience of the reinsurer in the line of reinsurance to be written. The number of jurisdictions in which a reinsurer is licensed or authorized to do business is also a factor. Some of the reinsurers who have entered the Bermuda and other reinsurance markets have or could have greater financial, marketing or managerial resources than the Company. Ultimately, this competition could affect the Company's ability to attract business on terms having the potential to yield an attractive return on equity.

Management is also aware of many potential initiatives by capital market participants to produce alternative products that may compete with the existing catastrophe reinsurance markets. Management is unable to predict the extent to which the foregoing new, proposed or potential initiatives may affect the demand for the Company's products or the risks which may be available for the Company to consider underwriting.

## GLENCOE

Glencoe, which was incorporated in January 1996, operates as a Bermuda-domiciled company and has been approved to do business in the United States on an excess and surplus lines basis in 21 states. Glencoe will also consider underwriting submissions from insureds located in other jurisdictions where it has been approved with respect to exposures for which it has underwriting expertise. Glencoe seeks to employ in the primary insurance market the modeling, underwriting, customer service and capital management approaches that Renaissance Reinsurance employs with respect to its reinsurance policies.

## EMPLOYEES

As of December 31, 1996, the Company employed 29 people, all of whom are either shareholders or optionholders of the Company. The Company believes that its employee relations are satisfactory. None of the Company's employees are subject to collective bargaining agreements, and the Company knows of no current efforts to implement such agreements at the Company.

## BERMUDA

The Insurance Act 1978, as amended, and Related Regulations. The Insurance Act of 1978 of Bermuda, amendments thereto and related regulations (the "Insurance Act"), which regulates the business of Renaissance and Glencoe, provides that no person shall carry on an insurance business in or from within Bermuda unless registered as an insurer under the Act by the Minister. The Minister, in deciding whether to grant registration, has broad discretion to act as he thinks fit in the public interest. The Minister is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise. In connection with the applicant's registration, the Minister may impose conditions relating to the writing of certain types of insurance.

An Insurance Advisory Committee appointed by the Minister advises him on matters connected with the discharge of his functions and sub-committees thereof supervise and review the law and practice of insurance in Bermuda, including reviews of accounting and administrative procedures.

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

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

**Independent Approved Auditor.** Every registered insurer must appoint an independent auditor who will annually audit and report on the Statutory Financial Statements and the Statutory Financial Return of the insurer, the latter of which is required to be filed annually with the Registrar of Companies (the "Registrar"), who is the chief administrative officer under the Insurance Act. The auditor must be approved by the Minister as the independent auditor of the insurer. The approved auditor may be the same person or firm which audits the insurer's financial statements and reports for presentation to its shareholders.

**Loss Reserve Specialist.** Every Registered Class 3 and Class 4 insurer is required to submit an annual loss reserve opinion when filing the Annual Statutory Financial Return. This opinion must be issued by a Loss Reserve Specialist. The Loss Reserve Specialist, who will normally be a qualified casualty actuary, must be approved by the minister.

**Statutory Financial Statements.** An insurer must prepare annual Statutory Financial Statements. The Insurance Act prescribes rules for the preparation and substance of such Statutory Financial Statements (which include, in statutory form, a balance sheet, income statement, and a statement of capital and surplus, and detailed notes thereto). The insurer is required to give detailed information and analyses regarding premiums, claims, reinsurance and investments. The Statutory Financial Statements are not prepared in accordance with GAAP and are distinct from the financial statements prepared for presentation to the insurer's shareholders under the Companies Act 1981 of Bermuda, which financial statements may be prepared in accordance with GAAP. See Note 14 to the Consolidated Financial Statements contained in the Annual Report and incorporated herein by reference thereto for information with respect to the Company's statutory financial statements. The insurer is required to submit the Annual Statutory Financial Statements as part of the Annual Statutory Financial Return.

**Minimum Solvency Margin.** The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin which varies with the type of business of the insurer and the insurer's net premiums written and loss reserve level. The minimum solvency margin for a Class 4 insurer is the greater of \$100 million, 50% of net premiums written (with a maximum credit of 25% for reinsurance ceded) or 15% of loss and loss expense provisions and other insurance

reserves. The minimum solvency margin for a Class 3 insurer is the greater of \$1 million, 20% of the first \$6 million of net premiums written plus 15% of net premiums written in excess of \$6 million, or 15% of loss and loss expense provisions and other insurance reserves. See Note 14 to the Consolidated Financial Statements included in the Annual Report and incorporated by reference herein.

**Minimum Liquidity Ratio.** The Insurance Act provides a minimum liquidity ratio for general business. An insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable and reinsurance balances receivable. There are certain categories of assets which, unless specifically permitted by the Minister, do not automatically qualify as relevant assets, such as unquoted equity securities, investments in and advances to affiliates, real estate and collateral loans. The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income tax and sundry liabilities (by interpretation, those not specifically defined).

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

**Supervision, Investigation and Intervention.** The Minister may appoint an inspector with extensive powers to investigate the affairs of an insurer if the Minister believes that an investigation is required in the interest of the insurer's policyholders or persons who may become policyholders. In order to verify or supplement information otherwise provided to him, the Minister may direct an insurer to produce documents or information relating to matters connected with the insurer's business.

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

An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. For the purpose of the Insurance Act, the principal office of the Company and its Subsidiaries is at the Company's offices at Renaissance House, 8-12 East Broadway, Pembroke HM 19 Bermuda and Mr. Keith S. Hynes, the Company's Senior Vice President and Chief Financial Officer, and Mr. John D. Nichols, Jr., the Company's Vice President, Treasurer and Secretary, are the principal representatives of Renaissance and Glencoe, respectively. Without a reason acceptable to the Minister, an insurer may not terminate the appointment of its principal representative, and the principal representative may not cease to act as such, unless thirty days' notice in writing to the Minister is given of the intention to do so. It is the duty of the principal representative, within thirty days of his reaching the view that there is a likelihood of the insurer for which he acts becoming insolvent or its coming to his knowledge, or his having reason to believe, that an event has occurred, to make a report in writing to the Minister setting out all the particulars of the case that are available to him.



Examples of such an event include failure by the reinsurer to comply substantially with a condition imposed upon the reinsurer by the Minister relating to a solvency margin or a liquidity or other ratio.

#### UNITED STATES AND OTHER

Renaissance is not admitted to do business in any jurisdiction except Bermuda. The insurance laws of each state of the United States and of many other countries regulate the sale of insurance and reinsurance within their jurisdictions by alien insurers, such as Renaissance Reinsurance, which are not admitted to do business within such jurisdiction. With some exceptions, such sale of insurance or reinsurance within a jurisdiction where the insurer is not admitted to do business is prohibited. Renaissance Reinsurance does not intend to maintain an office or to solicit, advertise, settle claims or conduct other insurance activities in any jurisdiction other than Bermuda where the conduct of such activities would require that Renaissance Reinsurance be so admitted.

The Company's registered and principal executive offices are located in Renaissance House, 8-12 East Broadway, Pembroke HM 19 Bermuda and its telephone number is (441) 295-4513. The Company was originally formed under the name Renaissance Holdings Ltd.

#### SUBSEQUENT EVENTS

On December 23, 1996, the Company commenced an offer to purchase for cancellation from tendering shareholders an aggregate of up to 813,190 Common Shares (the "Tender Offer") at a price of \$34.50 per share, net to the seller in cash, for an aggregate purchase price of approximately \$28.1 million. The Tender Offer expired as scheduled at midnight, New York City time, on January 22, 1997, and was oversubscribed. Following the expiration of the Tender Offer and the determination of the final proration factor, the Company purchased an aggregate of 813,190 Common Shares for cancellation from tendering shareholders. None of Management or the Founding Institutional Investors participated in the Tender Offer.

On March 4, 1996, a newly established subsidiary of the Company, RenaissanceRe Capital Trust, a Delaware statutory business trust (the "Trust"), issued \$100 million aggregate liquidation amount of 8.54% Capital Securities (liquidation amount \$1,000 per Capital Security) to qualified institutional buyers in a private offering (the "Offering"). The proceeds of the Offering were invested in the 8.54% Junior Subordinated Deferrable Interest Debentures, Series A due March 1, 2027, issued by the Company. The Company used the net proceeds of the Offering to repay approximately \$100 million of outstanding indebtedness under the Company's revolving credit facility.

GLOSSARY OF SELECTED INSURANCE TERMS

Attachment point	The amount of loss (per occurrence or in the aggregate, as the case may be) above which excess of loss reinsurance becomes operative.
Broker	One who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered, between (1) a policy holder and a primary insurer, on behalf of the insured party, (2) a primary insurer and reinsurer, on behalf of the primary insurer, or (3) a reinsurer and a retrocessionaire, on behalf of the reinsurer.
Catastrophe excess of loss reinsurance	A form of excess of loss reinsurance that, subject to a specified limit, indemnifies the ceding company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a "catastrophe cover."
Cede; Cedent; Ceding company	When a party reinsures its liability with another, it "cedes" business and is referred to as the "cedent" or "ceding company."
Claim adjustment expenses	The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs.
Claim reserves	Liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance it has written. Reserves are established for losses and for claim adjustment expenses.
Excess of loss reinsurance	A generic term describing reinsurance that indemnifies the reinsured against all or a specified portion of losses on underlying insurance policies in excess of a specified amount, which is called a "level" or "retention." Also known as non-proportional reinsurance. Excess of loss reinsurance is written in layers. A reinsurer or group of reinsurers accepts a band of coverage up to a specified amount. The total coverage purchased by the cedent is referred to as a "program" and will typically be placed with predetermined reinsurers in prenegotiated layers. Any liability exceeding the outer limit of the program reverts to the ceding company, which also bears the credit risk of a reinsurer's insolvency.
Funded cover	A form of insurance where the insured pays premiums to a reinsurer to serve essentially as a deposit in order to offset future losses. On a funded cover, there is generally limited or no transfer of risk for catastrophe losses from the insured to the reinsurer.

Generally accepted accounting principles	Accounting principles as set forth in opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or statements of the Financial Accounting Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question.
Incurred but not reported	Reserves for estimated losses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer including unknown future developments on losses which are known to the insurer or reinsurer.
Layer	The interval between the retention or attachment point and the maximum limit of indemnity for which a reinsurer is responsible.
Net premiums written	Gross premiums written for a given period less premiums ceded to reinsurers and retrocessionaires during such period.
Proportional reinsurance	A generic term describing all forms of reinsurance in which the reinsurer shares a proportional part of the original premiums and losses of the reinsured. (Also known as pro rata reinsurance, quota share reinsurance or participating reinsurance.) In proportional reinsurance the reinsurer generally pays the ceding company a ceding commission. The ceding commission generally is based on the ceding company's cost of acquiring the business being reinsured (including commissions, premium taxes, assessments and miscellaneous administrative expense) and also may include a profit factor.
Reinstatement premium	The premium charged for the restoration of the reinsurance limit of a catastrophe contract to its full amount after payment by the reinsurer of losses as a result of an occurrence.
Reinsurance	An arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies. Reinsurance can provide a ceding company with several benefits, including a reduction in net liability on individual risks and catastrophe protection from large or multiple losses. Reinsurance also provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be possible without a concomitant increase in capital and surplus, and facilitates the maintenance of acceptable financial ratios by the ceding company. Reinsurance does not legally discharge the primary insurer from its liability with respect to its obligations to the insured.

Retention	The amount or portion of risk that an insurer retains for its own account. Losses in excess of the retention level are paid by the reinsurer. In proportional treaties, the retention may be a percentage of the original policy's limit. In excess of loss business, the retention is a dollar amount of loss, a loss ratio or a percentage.
Retrocessional Reinsurance; Retrocessionaire	A transaction whereby a reinsurer cedes to another reinsurer, the retrocessionaire, all or part of the reinsurance that the first reinsurer has assumed. Retrocessional reinsurance does not legally discharge the ceding reinsurer from its liability with respect to its obligations to the reinsured. Reinsurance companies cede risks to retrocessionaires for reasons similar to those that cause primary insurers to purchase reinsurance: to reduce net liability on individual risks, to protect against catastrophic losses, to stabilize financial ratios and to obtain additional underwriting capacity.
Risk excess of loss reinsurance	A form of excess of loss reinsurance that covers a loss of the reinsured on a single "risk" in excess of its retention level of the type reinsured, rather than to aggregate losses for all covered risks, as does catastrophe excess of loss reinsurance. A "risk" in this context might mean the insurance coverage on one building or a group of buildings or the insurance coverage under a single policy, which the reinsured treats as a single risk.
Underwriting	The insurer's or reinsurer's process of reviewing applications submitted for insurance coverage, deciding whether to accept all or part of the coverage requested and determining the applicable premiums.
Underwriting capacity	The maximum amount that an insurance company can underwrite. The limit is generally determined by the company's retained earnings and investment capital. Reinsurance serves to increase a company's underwriting capacity by reducing its exposure from particular risks.
Underwriting expenses	The aggregate of policy acquisition costs, including commissions, and the portion of administrative, general and other expenses attributable to underwriting operations.

ITEM 2. PROPERTIES

The Company leases office space in Bermuda, where its executive offices are located.

ITEM 3. LEGAL PROCEEDINGS

The Company is, from time to time, a party to litigation and arbitration that arises in the normal course of its business operations. The Company is not presently a party to any such litigation or arbitration that would have a material adverse effect on its business or operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 23, 1996 the Company held a Special General Meeting of Shareholders (the "Special Meeting") to consider three proposals relating to (1) the creation of two series of diluted voting common shares of the Company consisting of 16,789,776 shares of Diluted Voting Class I Common Shares, \$1.00 par value per share, and 1,639,641 shares of Diluted Voting Class II Common Shares, par value \$1.00 per share, (collectively, the "Diluted Voting Shares") to be issued pursuant to the approval of the Board of Directors of the Company to certain shareholders of the Company in exchange for an equal number of Common Shares held by such shareholders on a one-for-one basis (the "Shares Proposal"); (2) the amendment to the Bye-laws of the Company (x) reducing the requisite affirmative vote at an annual or special general meeting of the Company's shareholders, from at least 66-2/3% of the issued and outstanding capital shares of the Company in order to approve (A) an amalgamation or reorganization of the Company; (B) an acquisition or disposition of all or substantially all of the Company's assets; (C) a liquidation, dissolution or winding up of the Company; or (D) an amendment to or repeal of such Bye-law, to (i) the affirmative vote of a majority of all issued and outstanding capital shares of the Company in order to approve such item (A), and (ii) the affirmative vote of a majority of the voting rights attached to all issued and outstanding Common Shares and Diluted Voting Shares in order to approve such items (B), (C) and (D), (y) reducing the quorum requirement relating to shareholder votes contemplated by Bye-law 43(b); and (z) providing that the Board shall, with respect to any matter required to be submitted to a vote of the shareholders of Renaissance, be required to submit a proposal relating to such matters to the shareholders of the Company and shall vote all the shares of Renaissance owned by the Company in accordance with and proportional to such vote of the Company's shareholders (the "Bye-laws Proposal"); and (3) the increase in the size of the Board from nine members (including one vacancy) to eleven members and the authorization by the shareholders of the Company of the Board to fill the vacancies created thereby without further shareholder action (the "Board Proposal").

The following matters were voted on at the Special Meeting with the voting results as indicated:

THE SHARES PROPOSAL

Votes For	Votes Against	Abstain
19,596,827	216,400	1,600

THE BYE-LAWS PROPOSAL

Votes For	Votes Against	Abstain
19,776,327	34,900	3,600

THE BOARD PROPOSAL

Votes For	Votes Against	Abstain
19,791,427	21,800	1,600

There were no broker non-votes in connection with any of the proposals listed above.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

The Common Shares began trading publicly on the Nasdaq National Market (the "NNM") on July 26, 1995 under the symbol "RNREF." Prior to that date, there was no public market for the Common Shares. The Common Shares have been listed and trading on the New York Stock Exchange, Inc. (the "NYSE") under the symbol "RNR" since July 24, 1996. The following table sets forth, for the periods indicated, the reported (i) NNM per Common Share high ask and low bid information from July 26, 1995 through July 23, 1996 and (ii) high and low NYSE per Common Share closing sales prices from July 24, 1996 through December 31, 1996, and the amount of cash dividends paid per Common Share for each quarterly period set forth below.

	High	Low	Dividends
	-----	-----	-----
FISCAL YEAR ENDED DECEMBER 31, 1995			
Third Quarter (commencing July 26).....	\$25.38	\$22.00	\$ --
Fourth Quarter.....	33.13	22.88	0.16
FISCAL YEAR ENDED DECEMBER 31, 1996			
First Quarter.....	\$31.88	\$26.75	\$0.20
Second Quarter.....	31.25	26.88	0.20
Third Quarter (through July 23).....	30.88	29.25	--
Third Quarter (commencing July 24).....	30.88	26.75	0.20
Fourth Quarter.....	36.00	27.75	0.20

As of March 15, 1997 there were approximately 2,500 holders of the Company's common equity.

## ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data of the Company for the years ended December 31, 1996, 1995 and 1994. The selected consolidated financial data of the Company should be read in conjunction with the Consolidated Financial Statements of the Company and related Notes thereto contained in the Annual Report and incorporated herein by reference thereto.

	YEAR ENDED DECEMBER 31,		
	-----	-----	-----
	1996	1995	1994
	-----	-----	-----
	(in millions, except per share amounts)		
Gross premiums written.....	\$269.9	\$292.6	\$273.5
Net income.....	156.2	165.3	109.3
Net income available to common shareholders.....	156.2	162.8	96.4
Total assets.....	904.8	757.1	509.4
Net income per Common Share.....	\$ 6.01	\$ 6.75	\$ 4.24
Dividends per Common Share.....	0.80	0.16	--

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information with respect to Management's discussion and analysis of financial condition and results of operations, is contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 13 through 19 of the Annual Report and is incorporated herein by reference thereto in response to this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company and related Notes thereto are contained on pages 20 through 35 of the Annual Report and are incorporated herein by reference thereto in response to this item. Reference is made to Item 14(a) of this Report for the Schedules to the Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

This information with respect to directors and officers of the Company is contained under the captions "Directors and Executive Officers of the Company" on pages 4 through 6 of the Proxy Statement and "Proposal 1 - The Renaissance Board Proposal" on page 21 of the Proxy Statement, and is incorporated herein by reference thereto in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information with respect to executive compensation is contained under the subcaption "Executive Officer and Director Compensation" on pages 13 through 20 of the Proxy Statement, and is incorporated herein by reference thereto in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information with respect to security ownership of certain beneficial owners and Management is contained under the caption "Security Ownership of Certain Beneficial Owners, Management and Directors" on pages 7 through 9 of the Proxy Statement, and is incorporated herein by reference thereto in response to this item.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information with respect to certain relationships and related transactions is contained under the caption "Certain Relationships and Related Transactions" on pages 10 and 11 of the Proxy Statement, and is incorporated herein by reference thereto in response to this item.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Exhibits.

1. The Consolidated Financial Statements of the Company and related Notes thereto are contained on pages 20 through 35 of the Company's 1996 Annual Report to Shareholders and are incorporated herein by reference thereto.
2. The Schedules to the Consolidated Financial Statements of the Company are listed in the accompanying Index to Schedules to Consolidated Financial Statements and are filed as part of this Report.
3. The following exhibits are included in this Report:
  - 3.1 Memorandum of Association.\*
  - 3.2 Amended and Restated Bye-Laws.+

- 4.1 Specimen Common Share certificate.\*
- 4.2 Amended and Restated Shareholders Agreement, dated as of December 23, 1996, by and among Warburg, Pincus Investors, L.P., Trustees of General Electric Pension Trust, GE Private Placement Partners I, Limited Partnership and United States Fidelity and Guaranty Company.
- 4.3 Amended and Restated Registration Rights Agreement, dated as of December 23, 1996, by and among Warburg, Pincus Investors, L.P., PT Investments Inc., GE Private Placement Partners I, -Insurance, Limited Partnership and United States Fidelity and Guaranty Company.
- 4.4 Amended and Restated Declaration of Trust of RenaissanceRe Capital Trust, dated as of March 7, 1997, among the Company, as Sponsor, The Bank of New York, as Property Trustee, The Bank of New York (Delaware), as Delaware Trustee, and the Administrative Trustees named therein. +++
- 4.5 Indenture, dated as of March 7, 1997, among the Company, as Sponsor, and The Bank of New York, as Debenture Trustee. +++
- 4.6 Series A Capital Securities Guarantee Agreement, dated as of March 7, 1997, between the Company and The Bank of New York, as Trustee. +++
- 4.7 Registration Rights Agreement, dated March 7, 1997, among the Company, the Trust, Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Salomon Brothers Inc. +++
- 10.1 Discretionary Investment Advisory Agreement, dated June 9, 1993, between Renaissance Reinsurance Ltd. and Warburg, Pincus Counsellors, Inc.\*
- 10.2 Investment Management Agreement, dated as of November 1, 1993, between GE Investment Management Incorporated and Renaissance Reinsurance Ltd.\*
- 10.3 RenaissanceRe Holdings Ltd. Restricted Stock Plan.\*
- 10.4 Agreement and Plan of Recapitalization, dated as of March 26, 1995, by and among RenaissanceRe Holdings Ltd., Renaissance Reinsurance Ltd. and the Investors (as defined therein).\*
- 10.5 Amended and Restated Employment Agreement, dated as of March 26, 1995, between Renaissance Reinsurance Ltd. and James N. Stanard.\*
- 10.6 Employment Agreement, dated as of March 26, 1995, between Renaissance Reinsurance Ltd. and Keith S. Hynes.\*#
- 10.7 Third Amended and Restated Credit Agreement, dated as of December 12, 1996, among RenaissanceRe Holdings Ltd., various financial institutions which are, or may become, parties thereto (the "Lenders"), Fleet National Bank of Connecticut and Mellon Bank, N.A., as Co-Agents, and Bank of America National Trust and Savings Association, as Administrative Agent for the Lenders.
- 10.8 Equity Purchase Agreement, dated as of December 13, 1996, by and among RenaissanceRe Holdings Ltd., Warburg, Pincus Investors, L.P., Trustees of General Electric Pension Trust, GE Private Placement Partners I, Limited Partnership and United States Fidelity and Guaranty Company. ++
- 10.9 RenaissanceRe Holdings Ltd. Second Amended and Restated 1993 Stock Incentive Plan.
- 10.10 RenaissanceRe Holdings Ltd. Amended and Restated Non-Employee Director Stock Plan.
- 13.1 Annual Report to Shareholders of RenaissanceRe Holdings Ltd. for the year ended December 31, 1996 (with the exception of the information incorporated by reference into Items 5, 7, 8 and 14 of this Report, such Annual Report to Shareholders is furnished for the information of the Commission and is not deemed "filed" as part of this Report).
- 21.1 List of Subsidiaries of the Registrant.
- 27.1 Financial Data Schedule.

(b) Reports on Form 8-K:

The Company filed Current Reports on Form 8-K with the Commission on (i) December 16, 1996 relating to an event which occurred on December 13, 1996, and (ii) December 23, 1996 relating to certain events which occurred on December 23, 1996.

\* Incorporated by reference to the Registration Statement on Form S-1 of the Company (Registration No. 33-70008) which was declared effective by the Commission on July 26, 1995.

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- ++ Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on December 16, 1996, relating to an event which occurred on December 13, 1996.
- +++ Incorporated by reference to the Company's Current Report on Form 8-K, filed with the Commission on March 19, 1997, relating to certain events which occurred on March 7, 1997.
- # A substantially similar form of Employment Agreement has been entered into by Renaissance Reinsurance Ltd. and each of Messrs. Currie, Riker and Eklund.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Hamilton, Bermuda on March 21, 1997.

RENAISSANCERE HOLDINGS LTD.

/s/ James N. Stanard

-----  
 James N. Stanard  
 President, Chief Executive Officer and  
 Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ James N. Stanard ----- James N. Stanard	President and Chief Executive Officer and Chairman of the Board of Directors	March 21, 1997
/s/ Keith S. Hynes ----- Keith S. Hynes	Senior Vice President and Chief Financial Officer (Principal Accounting Officer)	March 21, 1997
/s/ Arthur S. Bahr ----- Arthur S. Bahr	Director	March 21, 1997
/s/ Thomas A. Cooper ----- Thomas A. Cooper	Director	March 21, 1997
/s/ Edmund B. Greene ----- Edmund B. Greene	Director	March 21, 1997
/s/ Gerald L. Igou ----- Gerald L. Igou	Director	March 21, 1997
/s/ Kewsong Lee ----- Kewsong Lee	Director	March 21, 1997
/s/ John M. Lummis ----- John M. Lummis	Director	March 21, 1997
/s/ Howard H. Newman ----- Howard H. Newman	Director	March 21, 1997
/s/ Scott E. Pardee ----- Scott E. Pardee	Director	March 21, 1997
/s/ John C. Sweeney ----- John C. Sweeney	Director	March 21, 1997
/s/ David A. Tanner ----- David A. Tanner	Director	March 21, 1997

RENAISSANCERE HOLDINGS LTD AND SUBSIDIARIES.

INDEX TO SCHEDULES TO CONSOLIDATED FINANCIAL STATEMENTS

	Pages
	-----
Report of Independent Auditors on Schedules.....	S-2
I Summary of Investments other than Investments in Related Parties at December 31, 1996...	S-3
III Condensed Financial Information of the Registrant.....	S-4
V Supplementary Insurance Information for the years ended December 31, 1996, 1995 and 1994	S-6
VI Reinsurance for the years ended December 31, 1996, 1995 and 1994.....	S-7
X Supplementary Information Concerning Property-Casualty Insurance Operations.....	S-8

Schedules other than those listed above are omitted for the reason that they are not applicable.

REPORT OF INDEPENDENT AUDITORS ON SCHEDULES

To the Board of Directors and Shareholders  
of RenaissanceRe Holdings Ltd.

We have audited the consolidated financial statements of RenaissanceRe Holdings Ltd. and Subsidiaries as of and for the years ended December 31, 1996 and 1995 and have issued our report thereon dated January 15, 1997; such financial statements and our report thereon are incorporated by reference elsewhere in this Annual Report to Shareholders on Form 10-K. Our audits also included the financial statement schedules listed in item 14(a)(2) of this Annual Report on Form 10-K for the year ended December 31, 1996. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audit.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Ernst & Young

Hamilton, Bermuda  
January 15, 1997

SCHEDULE I

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES

SUMMARY OF INVESTMENTS

OTHER THAN INVESTMENTS IN RELATED PARTIES  
(EXPRESSED IN UNITED STATES DOLLARS)

(DOLLARS IN THOUSANDS)

TYPE OF INVESTMENT:	YEAR ENDED DECEMBER 31, 1996		AMOUNT AT WHICH SHOWN IN THE BALANCE SHEET
	AMORTIZED COST	MARKET VALUE	
Fixed Maturities Available for Sale:			
Non U.S. sovereign government bonds.....	\$239.0	\$239.4	\$239.4
Non U.S. corporate debt securities.....	328.4	329.6	329.6
Non U.S. mortgage-backed securities.....	34.5	34.5	34.5
Subtotal.....	601.9	603.5	603.5
Short-term Investments.....	-0-	-0-	-0-
Cash and cash equivalents.....	199.0	199.0	199.0
Total investments, short-term investments, cash and cash equivalents.....	\$ 800.9	\$802.5	\$802.5

SCHEDULE III

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES  
CONDENSED FINANCIAL INFORMATION OF REGISTRANT  
RENAISSANCERE HOLDINGS LTD.  
BALANCE SHEETS  
(PARENT COMPANY)

(EXPRESSED IN UNITED STATES DOLLARS)  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31,	
	----- 1996	1995 -----
ASSETS		
Cash.....	\$ 50,212	\$ 20,055
Investments available for sale.....	23,106	-0-
Investment in subsidiaries.....	598,220	525,796
Dividend receivable.....	26,300	38,000
Due from subsidiary.....	-0-	3,433
Other assets.....	421	161
	-----	-----
Total assets.....	\$ 698,259	\$587,445
	=====	=====
LIABILITIES		
Loan payable.....	\$ 150,000	\$100,000
Other liabilities.....	2,056	1,109
	-----	-----
Total liabilities.....	\$ 152,056	\$101,109
	=====	=====
Commitments and contingencies.....		
SHAREHOLDERS' EQUITY		
Series A 15% Cumulative Convertible Voting Preference Shares-\$100 par value-1,412,000 shares authorized, issued and outstanding at December 31, 1994.....		
Common Shares: \$1 par value-authorized 200,000,000 shares, issued and outstanding at December 31, 1995-25,605,000 (1994-1,500 shares)....	\$ 23,531	\$ 25,605
Additional paid-in capital.....	102,902	174,370
Loans to officers and employees.....	(3,868)	(2,728)
Net unrealized depreciation on investments.....	1,577	2,699
Retained earnings.....	422,061	286,390
	-----	-----
Total shareholders' equity.....	546,203	486,336
	-----	-----
Total liabilities and shareholders' equity.....	698,259	\$587,445
	=====	=====

STATEMENTS OF INCOME  
(PARENT COMPANY)  
(EXPRESSED IN UNITED STATES DOLLARS)  
(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994
	-----	-----	-----
Income:			
Investment income.....	\$ 2,424	\$ 92	--
Total income.....	2,424	92	--
Expenses:			
Amortization of organizational expenses	168	1,439	\$ 1,679
Interest expense.....	6,553	6,424	192
Operating costs and expenses.....	2,298	3,092	869
	-----	-----	-----
Total expenses.....	9,019	10,955	2,740
Loss before equity in net income of subsidiaries.....	(6,595)	(10,863)	(2,740)
Equity in net income of Renaissance.....	161,855	176,185	112,038
Equity in net income of Glencoe.....	900	-0-	-0-
	-----	-----	-----
Net income.....	156,160	165,322	109,298
Net income allocable to Series B Preference Shares.....	-0-	2,536	12,879
	-----	-----	-----
Net income available to Common Shareholders.....	\$156,160	\$162,786	\$ 96,419
	=====	=====	=====

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES

CONDENSED FINANCIAL INFORMATION OF REGISTRANT-(CONTINUED)

RENAISSANCERE HOLDINGS LTD.

STATEMENTS OF CASH FLOWS  
(PARENT COMPANY)  
(EXPRESSED IN UNITED STATES DOLLARS)

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995	YEAR ENDED DECEMBER 31, 1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	156,160	\$165,322	\$ 109,298
Less equity in net income of subsidiaries	162,755	176,185	112,038
	(6,595)	(10,863)	(2,740)
Adjustments to reconcile net income to net cash provided by operating activities			
Other	3,630	1,020	2,740
Net cash applied to operating activities	(2,965)	(9,843)	-0-
<b>CASH FLOWS APPLIED TO INVESTING ACTIVITIES</b>			
Contributions to subsidiaries	(50,000)	--	(102,459)
Proceeds from sales of investments	40,623		
Purchases of investments	(63,440)		
Dividends from subsidiary	135,629		
Proceeds from sale of minority interest in subsidiary	15,126		
Net cash provided by (applied to) investing activities	77,939	--	(102,459)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of Common Shares		54,496	
Repurchase of Common Shares	(73,460)		
Dividend to Common Shareholders	(20,489)	(4,096)	
Net proceeds from bank loan	50,000	40,000	60,000
Proceeds from issue Series B 15% Cumulative Redeemable Voting Preference Shares			100,000
Redemption of Series B 15% Cumulative Redeemable Voting Preference Shares		(57,874)	(57,541)
Other	(868)	(2,628)	
Net cash provided by financing activities	(44,817)	29,898	102,459
Net increase in cash and cash equivalents	\$ 30,157	\$ 20,055	0
Balance at beginning of year	20,055	0	0
Balance at end of year	\$ 50,212	\$ 20,055	\$ -0-

SCHEDULE V

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES

SUPPLEMENTARY INSURANCE INFORMATION  
(EXPRESSED IN UNITED STATES DOLLARS)

(DOLLARS IN THOUSANDS)

	DECEMBER 31, 1996			YEAR ENDED DECEMBER 31, 1996					
	DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS, LOSSES, CLAIMS AND CLAIMS EXPENSES	UNEARNED PREMIUMS	PREMIUM REVENUE	NET INVESTMENT INCOME	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES	PREMIUMS WRITTEN
Property...	\$6,819 =====	\$105,421 =====	\$65,617 =====	\$252,828 =====	\$44,170 =====	\$ 86,945 =====	\$26,162 =====	\$16,731 =====	\$251,564 =====
	DECEMBER 31, 1995			YEAR ENDED DECEMBER 31, 1995					
	DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS, LOSSES, CLAIMS AND CLAIMS EXPENSES	UNEARNED PREMIUMS	PREMIUM REVENUE	NET INVESTMENT INCOME	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES	PREMIUMS WRITTEN
Property...	\$6,163 =====	\$100,445 =====	\$60,444 =====	\$288,886 =====	\$32,320 =====	\$110,555 =====	\$29,286 =====	\$10,448 =====	\$289,928 =====
	DECEMBER 31, 1994			YEAR ENDED DECEMBER 31, 1994					
	DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS, LOSSES, CLAIMS AND CLAIMS EXPENSES	UNEARNED PREMIUMS	PREMIUM REVENUE	NET INVESTMENT INCOME	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES	PREMIUMS WRITTEN
Property....	\$5,797 =====	\$ 63,268 =====	\$59,401 =====	\$242,762 =====	\$14,942 =====	\$114,095 =====	\$25,653 =====	\$ 9,725 =====	\$269,954 =====



SCHEDULE VI

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES

REINSURANCE

(EXPRESSED IN UNITED STATES DOLLARS)

(DOLLARS IN THOUSANDS)

	GROSS AMOUNT -----	CEDED TO OTHER COMPANIES -----	ASSUMED FROM OTHER COMPANIES -----	NET AMOUNT -----	PERCENTAGE OF AMOUNT ASSUMED TO NET -----
Year ended December 31, 1996					
Property Premiums Written.....	\$1,552 =====	\$18,349 =====	\$268,361 =====	\$251,564 =====	107% ===
Year ended December 31, 1995					
Property Premiums Written.....	\$ - =====	\$ 2,679 =====	\$292,607 =====	\$289,928 =====	101% ===
Year ended December 31, 1994					
Property Premiums Written.....	\$ - =====	\$ 3,527 =====	\$273,481 =====	\$269,954 =====	101% ===

SCHEDULE X

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES

SUPPLEMENTARY INFORMATION CONCERNING  
PROPERTY/CASUALTY INSURANCE OPERATIONS

(EXPRESSED IN UNITED STATES DOLLARS)  
(DOLLARS IN THOUSANDS)

AFFILIATION WITH REGISTRANT	DEFERRED POLICY ACQUISITION COSTS	RESERVE FOR UNPAID CLAIMS AND CLAIMS EXPENSES	DISCOUNT IF ANY, DEDUCTED	UNEARNED PREMIUMS	EARNED PREMIUMS	NET INVESTMENT INCOME	CLAIMS AND CLAIMS EXPENSE INSURED RELATED TO CURRENT YEAR	PRIOR YEAR	ACQUISITION COSTS	PAID CLAIMS AND CLAIMS EXPENSES	PREMIUM WRITTEN
Consolidated Subsidiaries											
Year ended December 31, 1996.	\$6,819	\$105,421	\$ --	\$65,617	\$252,828	\$44,170	\$75,118	\$11,827	\$26,162	\$81,969	\$251,564
Year ended December 31, 1995	\$6,163	\$100,445	\$ --	\$60,444	\$288,886	\$32,320	\$80,939	\$29,616	\$29,286	\$73,378	\$289,928
Year ended December 31, 1994	\$5,797	\$63,268	\$ --	\$59,401	\$242,762	\$14,942	\$114,095	\$ --	\$25,653	\$51,809	\$269,954

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Memorandum of Association.*
3.2	Amended and Restated Bye-Laws.+
4.1	Specimen Common Share certificate.*
4.2	Amended and Restated Shareholders Agreement, dated as of December 23, 1996, by and among Warburg, Pincus Investors, L.P., Trustees of General Electric Pension Trust, GE Private Placement Partners I, Limited Partnership and United States Fidelity and Guaranty Company.
4.3	Amended and Restated Registration Rights Agreement, dated as of December 23, 1996, by and among Warburg, Pincus Investors, L.P., PT Investments, Inc., GE Private Placement Partners I, -Insurance, Limited Partnership and United States Fidelity and Guaranty Company.
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- # A substantially similar form of Employment Agreement has been entered into by Renaissance Reinsurance Ltd. and each of Messrs. Currie, Riker and Eklund.

CONFORMED COPY

## AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This Amended and Restated Shareholders Agreement, dated as of this 27th day of December 1996, is entered into by and among RenaissanceRe Holdings Ltd., a company organized under the laws of Bermuda (the "Company"), Warburg, Pincus Investors, L.P., a Delaware limited partnership ("Warburg"), PT Investments, Inc., a Delaware corporation ("PT Investments"), GE Investment Private Placement Partners I-Insurance, Limited Partnership, a Delaware limited partnership ("Insurance L.P."), and United States Fidelity and Guaranty Company, a Maryland corporation ("USF&G") (Warburg, Insurance L.P., PT Investments and USF&G are referred to herein as the "Institutional Investors").

## R E C I T A L S

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WHEREAS, in an effort to reduce the Company's related person insurance income exposure and to mitigate the effects of subpart F income on certain direct and indirect holders of common shares, par value \$1.00 per share (the "Full Voting Common Shares"), of the Company, the Board of Directors of the Company (the "Board") deemed it advisable and in the best interests of the Company and its shareholders to consummate the Recapitalization (as defined below);

WHEREAS, PT Investments is a wholly owned subsidiary of Trustees of General Electric Pension Trust ("GE Pension Trust") and the partners of GE Investment Private Placement Partners I, Limited Partnership ("GE Investment") (other than GE Pension Trust) are also the partners of Insurance L.P.;

WHEREAS, the Board has authorized the creation by redesignation of the authorized share capital of the Company of two new series of capital shares of the Company (the "Recapitalization") consisting of (i) 16,789,776 shares of Diluted Voting Class I Common Shares, par value \$1.00 per share (the "Diluted Voting I Shares"), and 1,639,641 shares of Diluted Voting Class II Common Shares, par value \$1.00 per share (the "Diluted Voting II Shares" and together with the Diluted Voting I Shares, the "Diluted Voting Shares") (the Diluted Voting Shares together with the Full Voting Common Shares are referred to herein as the "Common Shares") issuable in exchange for an equal number of Full Voting Common Shares held by certain shareholders of the Company on a one-for-one basis, subject to approval of the Board;

WHEREAS, each holder of Diluted Voting I Shares is entitled to a fixed voting interest in the Company of up to 9.9% of all outstanding voting rights attached to the Common Shares, inclusive of the percentage interest in the Company represented by the Common Shares owned directly, indirectly or constructively by a holder of Diluted Voting Shares within the meaning of Section 958 of the Internal Revenue Code of 1986, as amended, and

applicable rules and regulations thereunder (the "Controlled Common Shares");

WHEREAS, each holder of Diluted Voting II Shares is entitled to one-third of a vote for each Diluted Voting II Share; provided that in no event shall a holder of Diluted Voting II Shares have greater than 9.9% of all outstanding voting rights attached to the Common Shares, inclusive of the percentage interest in the Company represented by the Controlled Common Shares;

WHEREAS, at a Special General Meeting of Shareholders of the Company (the "Special Meeting") held on December 23, 1996, the shareholders of the Company approved the amendment to the Bye-Laws setting forth (i) the terms, rights and preferences of the Diluted Voting Shares and (ii) certain corporate governance changes;

WHEREAS, immediately prior to the Recapitalization, Warburg held 7,914,619 Full Voting Common Shares, GE Pension Trust and GE Investment each held 2,826,650 Full Voting Common Shares and USF&G held 2,776,137 Full Voting Common Shares;

WHEREAS, following the Special Meeting (i) GE Pension Trust exchanged all of its Full Voting Common Shares for 2,826,650 Diluted Voting I Shares and contributed such shares to PT Investments and (ii) GE Investment exchanged all of its Full Voting Common Shares for (x) 1,372,541 Diluted Voting I Shares and contributed such shares to PT Investments and (y) 1,454,109 Diluted Voting II Shares and contributed such shares to Insurance L.P.; and

WHEREAS, each of Warburg and USF&G has the right at any time in the future to exchange all or a portion of their respective Full Voting Common Shares for an equal number of Diluted Voting I Shares upon two days written notice to the Company and without further requisite action on the part of the Board.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. COVENANTS OF THE PARTIES

- (a) Election of Directors. The Board on the date hereof consists of Arthur S. Bahr, Thomas A. Cooper, Edmund B. Greene, Gerald L. Igou, Kewsong Lee, Sidney Lapidus, John M. Lummis, Howard H. Newman, James N. Stanard, John C. Sweeney and David A. Tanner. Each Institutional Investor agrees to take all action within its respective powers, including but not limited to, the voting of capital shares of the Company, required to have at all times (i) three Board members designated by Warburg (the "Warburg Directors"), (ii) one Board member designated by PT

Investments (the "PT Investments Director"), (iii) one Board member designated by Insurance L.P. (the "Insurance L.P. Director"), (iv) one Board member designated by USF&G (the "USF&G Director") and (v) James N. Stanard (so long as he is the Company's Chief Executive Officer). The Warburg Directors currently serving on the Board are Messrs. Lee, Newman and Tanner. The PT Investments Director currently serving on the Board is Mr. Igou. The Insurance L.P. Director currently serving on the board is Mr. Greene. The USF&G Director currently serving on the Board is Mr. Lummis. The number of directors serving on the Board shall be fixed at eleven.

(b) Appointment of Board Committees.

(i) The Board has established Executive, Compensation and Audit Committees. For so long as Warburg, PT Investments. or USF&G, as the case may be, is entitled to elect at least one Director to the Board, subject to the provisions of Section 1(d) below, Warburg, PT Investments and USF&G shall cause the Board to appoint one Warburg Director, the PT Investments. Director and the USF&G Director to each of the Executive Committee and the Compensation Committee. The Executive Committee presently consists of Messrs. Bahr, Lummis, Newman and Stanard. The Compensation Committee presently consists of Messrs. Bahr, Lummis and Newman. The Audit Committee presently consists of Messrs. Bahr and Cooper. Notwithstanding the foregoing, should it be the case that, pursuant to Section 1(d) below, PT Investments shall not have the right under this Agreement to nominate a director to the Board but Insurance L.P. shall have the right under this Agreement to nominate a director to the Board, the rights ascribed to PT Investments under this paragraph shall be ascribed to Insurance L.P.

(ii) Notwithstanding anything to the contrary set forth in Section 1(b)(i) above, the Board shall have the right, at any time from the date hereof, to adjust the composition of the Committees set forth in Section 1(b)(1) above, upon ten days' written notice (an "Adjustment Notice") to each party hereto, provided, that no party shall be deemed to have consented to the matters set -  
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forth in an Adjustment Notice unless an authorized officer of such party shall have provided a written response consenting to such matters or a designee of such party to the Board shall have voted in favor of such matters at a meeting of the Board.

(iii) Notwithstanding anything to the contrary set forth in this Section 1(b), the composition of the committees of the Board shall at all times comply with the provisions of applicable laws and the rules of any national securities exchange or similar organization to which the Company is subject.

(c) Replacement Directors. In the event that any director (a

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"Withdrawing Director") designated in the manner set forth in Section 1(a) hereof is unable to serve, or once having commenced to serve, is removed or withdraws from the Board, such Withdrawing Director's replacement (the "Substitute Director") shall be designated by the Institutional Investor(s) that designated such Withdrawing Director; provided, however, that this

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provision shall not apply to vacancies on the Board due to resignations pursuant to clauses (i), (ii) or (v) of Section 1(b) hereof. In the event any one of Warburg, PT Investments, Insurance L.P. or USF&G desires to remove any director nominated by such party, with or without cause, then each Institutional Investor agrees to take all action within its respective power, including but not limited to the voting of Full Voting Common Shares, Diluted Voting I Shares and/or Diluted Voting II Shares, as applicable, of the Company, to cause the removal of such to, the voting of capital shares of any Substitute Director promptly following his or her nomination pursuant to this Section 1(b).

(d) Number of Directors; Termination; Rights Non-Transferable.  
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(i) At such time as Warburg Owns less than 3,706,144 Common Shares, but at least 1,853,073 Common Shares, then the number of directors that Warburg shall be entitled to nominate shall be reduced to two and, in the event that there are more than two Warburg Directors serving on the Board at such time, then Warburg shall cause one of its directors to resign.

(ii) At such time as Warburg Owns less than 1,853,073 Common Shares, but at least 741,229 Common Shares, then the number of directors that Warburg shall be entitled to nominate shall be reduced to one and, in the event that there is more than one Warburg Director serving on the Board at such time, then Warburg shall cause one or more of its directors to resign.

(iii) Except as provided in the immediately following clause (iv), at such time as PT Investments and Insurance L.P. shall, in the aggregate, Own less than 1,853,073 Common Shares, then PT Investments shall not have any right to nominate a director and Insurance L.P. shall have the right to nominate one director. For so long as Insurance L.P. Owns any Common Shares, it shall have the right to nominate one director.

(iv) At such time as Insurance L.P. shall Own no Common Shares and PT Investments shall Own at least 741,229 Common Shares, Insurance L.P. shall not have the right to nominate a director and PT Investments shall have the right to nominate one director.



(v) At such time as any one of Warburg, PT Investments or USF&G, respectively, Owns less than 741,229 Common Shares, then such party shall no longer be entitled to nominate any director to the Board and, in the event that there are any Warburg Directors or any PT Investments Director or USF&G Director serving on the Board at such time, then Warburg, PT Investments or USF&G, as the case may be, shall cause such director(s) to resign.

(vi) Any Institutional Investor may, by written notice to each other Institutional Investor, terminate its rights and obligations under this Agreement and cease to be a party to this Agreement for all purposes (a) at such time as such Institutional Investor Owns less than 741,229 Common Shares, (b) in the case of Warburg or USF&G only, if Warburg or USF&G, as the case may be, ceases to Own at least 10% of the total number of Common Shares outstanding on the date of such notice, and (c) in the case of PT Investments and Insurance L.P. only, if PT Investments and Insurance L.P. cease to Own, collectively, at least 10% of the total number of Common Shares outstanding on the date of such notice.

(vii) The rights of Warburg, PT Investments, Insurance L.P. and USF&G under this Agreement are not transferable, whether by sale of capital stock or otherwise, to any Person or entity other than an Affiliate of Warburg, PT Investments, Insurance L.P. or USF&G, respectively.

(e) Board of Directors of Renaissance Reinsurance. The Board shall

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cause the Board of Directors of Renaissance Reinsurance to consist at all times of the same number of directors as the Board and the same persons who are serving on the Board.

## 2. INTERPRETATION OF THIS AGREEMENT

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(a) Terms Defined. As used in this Agreement, the following terms have

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the respective meaning set forth below:

Affiliate: means any person or entity, directly or indirectly,

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controlling, controlled by or under common control with such person or entity.

Own: means either (i) own under the rules set forth in section 958 of

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the U.S. Internal Revenue Code of 1986 (which includes shares directly owned, indirectly owned through ownership of another entity and constructively owned because of certain relationships (such as family relationships or ownership relationships)) or (ii) beneficially own directly or indirectly as a result of the possession of sole or shared voting power within the meaning of section 13(d)(3) of the U.S. Securities Exchange Act of 1934.

Person: an individual, partnership, joint-stock company, corporation,  
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trust or unincorporated organization, and a government or agency or political  
subdivision thereof.

(b) Directly or Indirectly. Where any provision in this Agreement refers to  
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action to be taken by any Person, or which such Person is prohibited from  
taking, such provision shall be applicable whether such action is taken  
directly or indirectly by such Person.

(c) Governing Law. This Agreement shall be governed by and construed in  
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accordance with the laws of the State of New York.

(d) Section Headings. The headings of the sections and subsections of this  
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Agreement are inserted for convenience only and shall not be deemed to  
constitute a part thereof.

### 3. MISCELLANEOUS. -----

#### (a) Notices. -----

(i) All communications under this Agreement shall be in writing and shall be  
delivered by hand or mailed by overnight courier or by registered or certified  
mail, postage prepaid:

(A) if to USF&G, at 100 Light Street, Baltimore, Maryland 21202,  
Attention: John M. Lummis, with a copy to: Corporate Secretary, or at such other  
address as it may have furnished the Company in writing;

(B) if to Warburg, at 466 Lexington Avenue, New York, New York 10017,  
Attention: Howard H. Newman, with a copy to: David A. Tanner, or at such other  
address as it may have furnished the Company in writing;

(C) if to Insurance L.P., at c/o GE Investment Management Incorporated,  
3003 Summer Street, Stamford, Connecticut 06905, Attention: Controller to  
Alternative Investments, with copies to: Associate General Counsel to  
Alternative Investments and GE Investment, 2029 Century Park East, Suite 1230,  
Los Angeles, California 90067, or at such other address as Insurance L.P. may  
have furnished the Company in writing;

(D) if to PT Investments, at 3003 Summer Street, Stamford, Connecticut  
06905, Attention: Controller to Alternative Investments, with a copy to:  
Associate General Counsel to Alternative Investments, or such other address  
as PT Investments may have furnished the Company in writing; and

(E) if to the Company, at its offices, currently Renaissance House, 8-12 East Broadway, Pembroke HM 19 Bermuda, marked for the attention of the President, with a copy to the Secretary of the Company, or at such other address as it may have furnished in writing to each of the Institutional Investors, with a copy to: Willkie Farr & Gallagher, 153 East 53rd Street, New York, New York 10022, Attention: John S. D'Alimonte.

(ii) Any notice so addressed shall be deemed to be given: if delivered by hand, on the date of such delivery; if mailed by courier, on the first business day following the date of such mailing; and if mailed by registered or certified mail, on the third business day after the date of such mailing.

(b) Indemnification of Directors of the Company. The Directors, acting in  
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relation to any of the affairs of the Company, and every one of them and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, provided that this indemnity shall not extend to any  
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matter in respect of any willful negligence, willful default, fraud or dishonesty which may attach to any of said persons.

(c) Successors and Assigns. This Agreement shall inure to the benefit of  
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and be binding upon the successors and assigns of each of the parties.

(d) Counterparts. This Agreement may be executed in one or more  
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counterparts each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

(e) Entire Agreement; Amendment and Waiver. This Agreement constitutes the  
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entire understanding of the parties hereto with respect to the matters covered by this Agreement and supersedes all prior understandings among such parties, including the Amended and Restated Shareholders Agreement, dated as of August 1, 1995, by and among the parties signatory to this

Agreement (other than PT Investments and Insurance L.P.), Trustees of General Electric Pension Trust and GE Investment Private Placement Partners I, Limited Partnership. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and each of the Institutional Investors.

IN WITNESS WHEREOF, the parties hereto have executed this Shareholders Agreement as of the date first above written.

RENAISSANCERE HOLDINGS LTD.

By: /s/ John D. Nichols, Jr.  
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Name: John D. Nichols, Jr.  
Title: Secretary

WARBURG, PINCUS INVESTORS, L.P.

By: Warburg, Pincus & Co.,  
General Partner

By: /s/ David A. Tanner  
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Name: David A. Tanner  
Title: Partner

UNITED STATES FIDELITY AND  
GUARANTY COMPANY

By: /s/ Dan Hale  
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Name: Dan Hale  
Title: Executive Vice President

PT INVESTMENTS, INC.

By: /s/ Michael M. Pastore  
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Name: Michael M. Pastore  
Title: Vice President

GE INVESTMENT PRIVATE PLACEMENT  
PARTNERS I - INSURANCE, LIMITED  
PARTNERSHIP

By: GE Investment Management Incorporated,  
General Partner

By: /s/ Michael M. Pastore  
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Name: Michael M. Pastore  
Title: Vice President

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

THIS AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT, dated as of December 27, 1996, is entered into by and among RenaissanceRe Holdings Ltd., a company organized under the laws of Bermuda (the "Company"), Warburg, Pincus Investors, L.P., a Delaware limited partnership ("Warburg"), PT Investments, Inc., a Delaware corporation ("PT Investments"), GE Investment Private Placement Partners I-Insurance, Limited Partnership, a Delaware limited partnership ("Insurance L.P."), United States Fidelity and Guaranty Company, a Maryland corporation ("USF&G"), and the individuals whose names and addresses appear on Schedule I hereto, as such Schedule I may be amended from time to time (the "Management Investors") (Warburg, PT Investments, Insurance L.P. and USF&G are referred to herein as the "Institutional Investors" and each of Warburg, PT Investments, Insurance L.P., USF&G and each of the Management Investors are referred to herein individually as an "Investor" and collectively as the "Investors").

R E C I T A L S  
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WHEREAS, the authorized capital shares of the Company consist of (i) common shares, par value \$1.00 per share (the "Full Voting Common Shares"), (ii) Diluted Voting Class I Common Shares, par value \$1.00 per share (the "DVI Shares"), and (iii) Diluted Voting Class II Common Shares, par value \$1.00 per share (the "DVII Shares") (the Full Voting Common Shares, DVI Shares and DVII Shares are collectively referred to herein as the "Common Shares");

WHEREAS, the Company wishes to grant to the Investors rights to have Common Shares registered under the Securities Act of 1933, as amended (the "Securities Act"), upon the terms and subject to the conditions of this Agreement; and

WHEREAS, Schedule I hereto sets forth, for each of the Investors, the number of Common Shares to which such registration rights relate.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. REGISTRATION RIGHTS.

(a) Definitions.

As used in this Agreement:

(i) "Commission" shall mean the U.S. Securities and Exchange Commission or any other federal agency at the time administering the Securities Act;

(ii) an "ERISA Conflict" shall be deemed to result for the purposes of this Agreement, as to any contemplated action, if PT Investments shall furnish an opinion of outside counsel to the effect that a reasonable possibility exists that such action will result in a violation of the Employee Retirement Income Security Act of 1974, as amended;

(iii) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended;

(iv) the term "Holder" shall mean any holder of Registrable Securities;

(v) the term "Initiating Holder" shall mean: (i) on any date that is prior to June 30, 1998, any Holder or Holders (other than Holders who are Management Investors) who in the aggregate are Holders of more than 10% of the then outstanding Registrable Securities, (ii) at any time on or after June 30, 1998, any Holder or Holders (other than Holders who are Management Investors) who in the aggregate are Holders of more than 5% of the then outstanding Registrable Securities and (iii) at any from the date hereof, Insurance L.P. and its permitted transferees and assigns, for so long as Insurance L.P. or such transferees and assigns shall own more than 5% of the then outstanding Registrable Securities;

(vi) the terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act (and any post-effective amendments filed or required to be filed) and the declaration or ordering of effectiveness of such registration statement;

(vii) the term "Registrable Securities" means (A) any Common Shares held by an Investor, (B) any additional Common Shares acquired by the Investors, including any Full Voting Common Shares issued to Management Investors upon the exercise of options granted under the RenaissanceRe Holdings Ltd. Amended and Restated 1993 Stock Incentive Plan (the

"Incentive Plan"), and (C) any capital shares of the Company issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the Common Shares referred to in clause (A) or (B) above; provided, however, that the Company shall be required to honor a demand for

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registration of DVI Shares or DVII Shares only if it shall be a condition to the delivery of the DVI Shares or DVII Shares contemplated by such registration that, immediately following the sale thereof by the holder, such DVI Shares or DVII Shares shall be converted into Full Voting Common Shares.

(viii) "Registration Expenses" shall mean all expenses incurred by the Company in compliance with Sections 1(b) and 1(c) hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company and all fees and disbursements of counsel for each of the Holders, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company, which shall be paid in any event by the Company); and

(ix) "Selling Expenses" shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities.

(b) Requested Registration.  
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(i) Request for Registration. If the Company shall receive from an  
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Initiating Holder, at any time, a written request that the Company effect any registration with respect to all or a part of the Registrable Securities, the Company shall:

(A) promptly give written notice of the proposed registration to all other Holders of Registrable Securities; and

(B) as soon as practicable, use all reasonable efforts to effect such registration (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are



specified in a written request received by the Company within 10 business days after written notice from the Company is given under Section 1(b)(i)(A) above; provided that the Company shall not be obligated to effect, or take any action to effect, any such registration pursuant to this Section 1(b):

(x) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act or applicable rules or regulations thereunder;

(y) After the Company has effected two such registrations pursuant to this Section 1(b) requested by the Initiating Holder and such registrations have been declared or ordered effective by the Commission and the sales of such Registrable Securities shall have closed; or

(z) If the Registrable Securities requested by all Holders to be registered pursuant to such request are not anticipated to result in aggregate proceeds (before deduction of any underwriting discounts and commissions) of at least \$25,000,000.

The registration statement filed pursuant to the request of the Initiating Holders may, subject to the provisions of Section 1(b)(ii) below, include other securities of the Company which are held by officers or directors of the Company, or which are held by persons who, by virtue of agreements with the Company, are entitled to include their securities in any such registration, but the Company's right to include any of its securities in any such registration shall be subject to the limitations set forth in Section 1(b)(ii) below.

The registration rights set forth in this Section 1(b) shall be assignable, in whole or in part, to any transferee of Common Shares provided such transferee agrees to be bound by all provisions of this Agreement.

(ii) Underwriting. If the Initiating Holders intend to distribute -----  
the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 1(b).

If officers or directors of the Company holding Common Shares (other than Registrable Securities) shall request inclusion in any registration pursuant to Section 1(b), or if holders of securities of the Company other than Registrable Securities who are entitled, by contract with the Company or otherwise, to have securities included in such a registration (the "Other Shareholders") request such inclusion, the Holders shall offer to include the securities of such officers, directors and Other Shareholders in the underwriting and may condition such offer on their acceptance of the further applicable provisions of this Section 1. The Holders whose shares are to be included in such registration and the Company shall (together with all officers, directors and Other Shareholders proposing to distribute their securities (other than Registrable Securities) through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected for such underwriting by the Initiating Holders and reasonably acceptable to the Company, provided that no underwriter whose selection would result in an ERISA Conflict may participate in any such underwriting. Notwithstanding any other provision of this Section 1(b), if the representative advises the Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the securities of the Company held by officers or directors (other than Registrable Securities) of the Company and the securities held by Other Shareholders shall be excluded from such registration to the extent so required by such limitations. If, after the exclusion of such shares, further reductions are still required, the number of shares included in the registration by each Holder shall be reduced on a pro rata basis (based on the number of shares held by the respective Holders) by such minimum number of shares as is necessary to comply with such request. No Registrable Securities or any other securities excluded from the underwriting by reason of the underwriter's marketing limitation shall be included in such registration. If any officer, director or Other Shareholder who has requested inclusion in such registration as provided above disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the underwriter and the Initiating Holders. The securities so withdrawn shall also be withdrawn from registration. If the underwriter has not limited the number of Registrable Securities or other securities to be underwritten, the Company may include its securities for its own account in such registration if the representative so agrees and if the number of Registrable Securities and other securities which would otherwise have been included in such registration and underwriting will not thereby be limited.

(iii) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 1(b), a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, then the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders; provided however, that the Company may not utilize this right more than once in any twelve (12) month period.

(c) Company Registration.  
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(i) If the Company shall determine to register any of its equity securities either for its own account or for the account of a security holder or holders, other than a registration relating solely to employee benefit plans, or a registration relating solely to a Rule 145 transaction, or a registration on any registration form which does not permit secondary sales or does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities, the Company will:

(A) promptly give to each of the Holders a written notice thereof (which shall include a list of the jurisdictions in which the Company intends to attempt to qualify such securities under the applicable blue sky or other state securities laws); and

(B) include in such registration (and any related qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made by the Holders within fifteen (15) days after receipt of the written notice from the Company described in clause (i) above, except as set forth in Section 1(c)(ii) below. Such written request may specify all or a part of the Holders' Registrable Securities.

(ii) Underwriting. If the registration of which the Company gives  
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notice is for a registered public offering involving an underwriting, the Company shall so advise each of the Holders as a part of the written notice given pursuant to Section 1(c)(i)(A). In such event, the right of each of the

Holders to registration pursuant to this Section 1(c) shall be conditioned upon such Holders' participation in such underwriting and the inclusion of such Holders' Registrable Securities in the underwriting to the extent provided herein. The Holders whose shares are to be included in such registration shall (together with the Company and the Other Shareholders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected for underwriting by the Company, provided that no underwriter whose selection would result in an ERISA Conflict may participate in any such underwriting. Notwithstanding any other provision of this Section 1(c), if the representative determines that marketing factors require a limitation on the number of shares to be underwritten, the Company shall so advise all holders of securities requesting registration, and the number of shares of securities that are entitled to be included in the registration and underwriting shall be allocated in the following manner: The securities of the Company held by officers, directors and Other Shareholders of the Company (other than Registrable Securities) shall be excluded from such registration and underwriting to the extent required by such limitation, and, if a limitation on the number of shares is still required, the number of shares that may be included in the registration and underwriting by each of the Holders shall be reduced, on a pro rata basis (based on the number of shares held by such Holder), by such minimum number of shares as is necessary to comply with such limitation. If any of the Holders or any officer, director or Other Shareholder disapproves of the terms of any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the underwriter. Any Registrable Securities or other securities excluded or withdrawn from such underwriting shall be withdrawn from such registration.

(iii) Number and Transferability. Each of the Holders shall be  
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entitled to have its shares included in an unlimited number of registrations pursuant to this Section 1(c). The registration rights granted pursuant to this Section 1(c) shall be assignable, in whole or in part, to any transferee of the Common Shares provided such transferee agrees to be bound by all provisions of this Agreement.

(d) Form S-3. The Company shall use its best efforts to qualify for  
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registration on Form S-3 for secondary sales. After the Company has qualified for the use of Form S-3, Holders of Registrable Securities shall have the right to request unlimited registrations on Form S-3 (such requests shall be in writing and shall state the number of shares of Registrable Securities to be

disposed of and the intended method of disposition of shares by such holders), subject only to the following:

(i) The Company shall not be required to effect a registration pursuant to this Section 1(d) unless the Holder or Holders of Registrable Securities requesting registration propose to dispose of shares of Registrable Securities resulting in aggregate proceeds (before deduction of underwriting discounts and expenses of sale) of more than \$10,000,000.

(ii) The Company shall not be required to effect a registration pursuant to this Section 1(d) within 180 days of the effective date of the most recent registration pursuant to this Section 1(d) in which securities held by the requesting Holder could have been included for sale or distribution.

(iii) The Company shall not be required to effect a registration pursuant to this Section 1(d) if the Company shall furnish to the Holders a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its shareholders for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement. In such event, the Company shall have the right to defer the filing of the registration statement no more than once during any 12 month period for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1(d).

(iv) The Company shall not be obligated to effect any registration pursuant to this Section 1(d) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act or applicable rules or regulations thereunder.

The Company shall give written notice thereof to all Holders of Registrable Securities within five days of the receipt of a request for registration pursuant to this Section 1(d) and shall provide a reasonable opportunity for other Holders of Registrable Securities to participate in the registration, provided that if the registration is for an underwritten offering, the terms of Section 1(b)(ii) shall apply to all participants in such offering. Subject to the foregoing, the Company will use its best efforts to effect promptly the registration of all shares of

Registrable Securities on Form S-3 to the extent requested by the Holder or Holders thereof for purposes of disposition.

(e) Expenses of Registration. All Registration Expenses incurred in

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connection with any registration, qualification or compliance pursuant to this Section 1 shall be borne by the Company, and all Selling Expenses shall be borne by the Holders of the securities so registered pro rata on the basis of the number of their shares so registered; provided, however, that the Company shall not be required to pay any Registration Expenses if, as a result of the withdrawal of a request for registration by any of the Holders, as applicable, the registration statement does not become effective, in which case each of the Holders and Other Shareholders requesting registration shall bear such Registration Expenses pro rata on the basis of the number of their shares so included in the registration request, and provided, further, that such registration shall not be counted as a registration pursuant to Section 1(b)(i)(B)(y).

(f) Registration Procedures. In the case of each registration

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effected by the Company pursuant to this Section 1, the Company will keep the Holders, as applicable, advised in writing as to the initiation of each registration and as to the completion thereof. At its expense, the Company will:

(i) keep such registration effective for a period of 120 days or until the Holders, as applicable, have completed the distribution described in the registration statement relating thereto, whichever first occurs; provided, however, that (A) such 120-day period shall be extended for a period of time equal to the period during which the Holders, as applicable, refrain from selling any securities included in such registration in accordance with provisions in Section 1(j) hereof; and (B) in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, such 120-day period shall be extended until all such Registrable Securities are sold, provided that Rule 415, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis, and provided further that applicable rules under the Securities Act governing the obligation to file a post-effective amendment permit, in lieu of filing a post-effective amendment which (y) includes any prospectus required by Section 10(a)(3) of the Securities Act or (z) reflects facts or events representing a material or fundamental change in the information set forth in the registration statement, the incorporation by reference of information required to be included in (y) and (z) above to be contained in periodic reports filed pursuant to Section 13 or 15(d) of the Exchange Act in the registration statement; and

(ii) furnish such number of prospectuses and other documents incident thereto as each of the Holders, as applicable, from time to time may reasonably request.

(g) Indemnification.

-----

(i) The Company will indemnify each of the Holders, as applicable, each of its officers, directors and partners, and each person controlling each of the Holders, with respect to each registration which has been effected pursuant to this Section 1, and each underwriter, if any, and each person who controls any underwriter, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each of the Holders, each of its officers, directors and partners, and each person controlling each of the Holders, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by any Holder with respect to such Holder or underwriter with respect to such underwriter and stated to be specifically for use therein.

(ii) Each of the Holders will, if Registrable Securities held by it are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of the Securities Act and the rules and regulations thereunder, each Other Shareholder and each of their officers, directors, and partners, and each person controlling such Other Shareholder against all claims, losses, damages and

liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact with respect to such Holder contained in any such registration statement, prospectus, offering circular or other document made by such Holder, or any omission (or alleged omission) to state therein a material fact with respect to such Holder required to be stated therein or necessary to make the statements by such Holder therein not misleading, and will reimburse the Company and such Other Shareholders, directors, officers, partners, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by such Holder with respect to such Holder and stated to be specifically for use therein; provided, however, that the obligations of each of the Holders hereunder shall be limited to an amount equal to the proceeds to such Holder of securities sold as contemplated herein.

(iii) Each party entitled to indemnification under this Section 1(g) (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld) and the Indemnified Party may participate in such defense at such party's expense (unless the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party in such action, in which case the fees and expenses of counsel shall be at the expense of the Indemnifying Party), and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 1 unless the Indemnifying Party is materially prejudiced thereby. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such



Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(iv) If the indemnification provided for in this Section 1(g) is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage or expense referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(v) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with any underwritten public offering contemplated by this Agreement are in conflict with the foregoing provisions, the provisions in such underwriting agreement shall be controlling.

(vi) The foregoing indemnity agreement of the Company and Holders is subject to the condition that, insofar as they relate to any loss, claim, liability or damage made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the Commission at the time the registration statement in question becomes effective or the amended prospectus filed with the Commission pursuant to Commission Rule 424(b) (the "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any underwriter if a copy of the Final Prospectus was furnished to the underwriter and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(vii) Any indemnification payments required to be made to an Indemnified Party under this Section 1(g) shall be made as the related claims, losses, damages, liabilities or expenses are incurred.

(h) Information by the Holders. Each of the Holders and each Other

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Shareholder holding securities included in any registration, shall furnish to the Company such information regarding such Holder or Other Shareholder and the distribution proposed by such Holder or Other Shareholder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Section 1. The Institutional Investors shall not be required, in connection with any underwriting arrangements entered into in connection with any registration, to provide any information, representations or warranties, or covenants with respect to the Company, its business or its operations and such Institutional Investors shall not be required to provide any indemnification with respect to any registration statement except as specifically provided for in Section 1(g)(ii) hereof.

(i) Rule 144 Reporting.

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With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of the restricted securities to the public without registration, the Company agrees to:

(A) make and keep public information available as those terms are understood and defined in Rule 144, at all times from and after 90 days after the date hereof;

(B) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times that it is subject to such reporting requirements; and

(C) so long as the Holder owns any Registrable Securities, furnish to the Holder upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144, and of the Securities Act and the Exchange Act (it is subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as the Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing the Holder to sell any such securities without registration.

(j) "Market Stand-off" Agreement. Each of the Holders agrees, if

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requested by the Company and an underwriter of Common Shares (or other securities) of the Company, not to sell or otherwise transfer or dispose of any Common Shares (or other securities) of the Company held by such Holder during the 90-day period following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company enter into similar agreements.

If requested by the underwriters, the Holders shall execute a separate agreement to the foregoing effect. The Company may impose stop-transfer instructions with respect to the Common Shares (or other securities) subject to the foregoing restriction until the end of said 90-day period. The provisions of this Section 1(j) shall be binding upon any transferee who acquires Registrable Securities, whether or not such transferee is entitled to the registration rights provided hereunder.

(k) Termination. The registration rights set forth in this Section 1

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shall not be available to any Holder if, in the opinion of counsel to the Company, all of the Registrable Securities then owned by such Holder could be sold in any 90-day period pursuant to Rule 144 under the Act (without giving effect to the provisions of Rule 144(k)).

## SECTION 2. MISCELLANEOUS.

(a) Assignability. This Agreement shall be binding upon and inure to

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the benefit of the respective heirs, personal representatives, successors and assigns of the parties hereto.

(b) Notices. All communications under this Agreement shall be in

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writing and shall be delivered by hand or mailed by overnight courier or by registered or certified mail, postage prepaid:

(A) if to USF&G, at 100 Light Street, Baltimore, Maryland 21202, Attention: John M. Lummis, with a copy to: Corporate Secretary, or at such other address as it may have furnished the Company in writing;

(B) if to Warburg, at 466 Lexington Avenue, New York, New York 10017, Attention: Howard H. Newman, with a copy to: David A. Tanner, or at such other address as it may have furnished the Company in writing;

(C) if to Insurance L.P., at c/o GE Investment Management Incorporated, 3003 Summer Street, Stamford, Connecticut 06905, Attention: Controller to Alternative

Investments, with copies to: Associate General Counsel to Alternative Investments and GE Investment, 2029 Century Park East, Suite 1230, Los Angeles, California 90067, or at such other address as GE Investment may have furnished the Company in writing;

(D) if to PT Investments, at 3003 Summer Street, Stamford, Connecticut 06905, Attention: Controller to Alternative Investments, with a copy to: Associate General Counsel to Alternative Investments, or such other address as GE Pension Trust may have furnished the Company in writing; and

(E) if to the Company, at its offices, currently Renaissance House, East Broadway, Pembroke HMGX, Bermuda, marked for the attention of the President, with a copy to the Secretary of the Company, or at such other address as it may have furnished in writing to each of the Institutional Investors, with a copy to: Willkie Farr & Gallagher, 153 East 53rd Street, New York, New York 10022, Attention: John S. D'Alimonte.

(ii) Any notice so addressed shall be deemed to be given: if delivered by hand, on the date of such delivery; if mailed by courier, on the first business day following the date of such mailing; and if mailed by registered or certified mail, on the third business day after the date of such mailing.

(c) Governing Law. This Agreement shall be governed by and construed  
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in accordance with the laws of the State of New York.

(d) Entire Agreement; Amendment. This Agreement constitutes the  
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entire understanding of the parties hereto with respect to the matters to which it relates and supercedes all prior understandings among such parties with respect to such matters, including without limitation the Amended and Restated Registration Rights Agreement, dated as of May 7, 1996, by and among the parties signatory to this Agreement (other than PT Investments and Insurance L.P.), Trustees of General Electric Pension Trust and GE Investment Private Placement Partners I, Limited Partnership. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and each of the Institutional Investors, provided that new Management Investors may be added as parties to this Agreement in connection with such individuals purchasing Common Shares upon any such Management Investor having duly executed a counterpart to this Agreement.

(e) Counterparts. This Agreement may be executed in any number of  
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counterparts, each of which shall be an original, but all of which together  
shall constitute one instrument.

IN WITNESS WHEREOF, the Company and each of the undersigned parties has executed this Agreement effective for all purposes as of the date first written above.

RENAISSANCERE HOLDINGS LTD.

By: /s/ John D. Nichols, Jr.  
-----  
Name: John D. Nichols, Jr.  
Title: Secretary

WARBURG, PINCUS INVESTORS, L.P.

By: Warburg, Pincus & Co.,  
General Partner

By: /s/ David A. Tanner  
-----  
Name: David A. Tanner  
Title: Partner

PT INVESTMENTS, INC.

By: /s/ Michael M. Pastore  
-----  
Name: Michael M. Pastore  
Title: Vice President

GE INVESTMENT PRIVATE PLACEMENT  
PARTNERS I-INSURANCE,  
LIMITED PARTNERSHIP

By: GE Investment Management  
Incorporated, General Partner

By: /s/ Michael M. Pastore  
-----  
Name: Michael M. Pastore  
Title: Vice President

UNITED STATES FIDELITY AND GUARANTY COMPANY

By: /s/ Dan Hale  
-----  
Name: Dan Hale  
Title: Executive Vice President

/s/ Neill A. Currie  
-----  
Neill A. Currie

/s/ David A. Eklund  
-----  
David A. Eklund

/s/ Keith S. Hynes  
-----  
Keith S. Hynes

/s/ William I. Riker  
-----  
William I. Riker

/s/ James N. Stanard  
-----  
James N. Stanard

SCHEDULE I

Investor -----	Number of Shares Held -----
Warburg, Pincus Investors L.P.	7,914,619
GE Investment Private Placement Partners I - Insurance, Limited Partnership	1,454,109
PT Investments, Inc.	4,199,191
United States Fidelity and Guaranty Company	2,776,137
Neill A. Currie	140,048
David A. Eklund	42,590
Keith S. Hynes	143,769
William I. Riker	66,713
James N. Stanard	660,866
Total/(1)/	----- 17,398,042* =====

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/(1)/ Does not reflect an aggregate of 438,823 Full Voting Common Shares issuable upon the exercise of outstanding options granted under the Incentive Plan as of December 31, 1996, all of which Full Voting Common Shares are Registrable Securities as defined in Section 1(a)(viii)(b) of this Agreement.



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THIRD AMENDED AND RESTATED  
CREDIT AGREEMENT

dated as of December 12, 1996

among

RENAISSANCERE HOLDINGS LTD.

as the Borrower,

VARIOUS FINANCIAL INSTITUTIONS,

as the Lenders,

FLEET NATIONAL BANK

and

MELLON BANK, N.A., AS CO-AGENTS,

and

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,

as Administrative Agent for the Lenders

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EXHIBIT F	Form of Promissory Note

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

-----  
THIS THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 12, 1996, is entered into by and among RenaissanceRe Holdings Ltd., a Bermuda company (the "Borrower"), various financial institutions which are parties hereto (the "Lenders"), Fleet National Bank and Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

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WHEREAS, pursuant to the Second Amended and Restated Credit Agreement dated as of January 16, 1996 (the "Original Credit Agreement") among the Borrower, certain financial institutions (the "Original Credit Agreement Banks") and the Administrative Agent, the Borrower borrowed certain revolving loans (the "Original Loans");

WHEREAS, the Borrower desires to obtain commitments from the Lenders, including the Original Credit Agreement Banks pursuant to which the Lenders would refinance the Original Loans;

WHEREAS, the Borrower has requested the Lenders and the Administrative Agent to amend and restate the Original Credit Agreement, on the terms and conditions set forth in this Agreement, to among other things, set forth the terms and conditions under which the Lenders hereafter will make Loans to the Borrower; it being the intention of the Borrower, the Lenders and the Administrative Agent that this Agreement and the Loan Documents executed in connection herewith shall not effect the novation of the obligations of the Borrower under the Original Credit Agreement but merely a restatement and, where applicable, an amendment of the terms governing such obligations hereafter;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.1 Definitions. When used herein the following terms shall  
-----  
have the following meanings:

Administrative Agent means (a) Bank of America National Trust and  
-----  
Savings Association, in its capacity as administrative agent for the Lenders, and (b) each other Person as shall have subsequently been appointed as the successor Administrative Agent pursuant to Section 9.9.  
-----

Affiliate of any Person means any other Person which, directly or  
-----  
indirectly, controls or is controlled by or is under common control with such  
Person (excluding any trustee under, or any committee with responsibility for  
administering, any Plan). A Person shall be deemed to be:

(a) "controlled by" any other Person if such other Person possesses,  
directly or indirectly, power:

(i) to vote 20% or more of the securities having at the time of any  
determination hereunder voting power for the election of directors of such  
Person; or

(ii) to direct or cause the direction of the management and policies  
of such Person whether by contract or otherwise; or

(b) "controlled by" or "under common control with" such other Person  
if such other Person is the executor, administrator, or other personal  
representative of such Person.

Agent-Related Persons means BofA and any successor administrative  
-----  
agent arising under Section 9.9, together with their respective Affiliates, and  
-----  
the officers, directors, employees, agents and attorneys-in-fact of such Persons  
and Affiliates.

Agent's Payment Office means the address for payments set forth on  
-----  
Schedule 10.2 in relation to the Administrative Agent, or such other address as  
-----  
the Administrative Agent may from time to time specify.

Agreement means this Third Amended and Restated Credit Agreement.  
-----

Amendment Effective Date means the date on which the conditions  
-----  
precedent for the effectiveness of this Agreement specified in Section 8.1 shall  
-----  
be met.

Annual Statement means the annual financial statement of any Insurance  
-----  
Subsidiary as required to be filed with the Minister (or similar Governmental  
Authority) of such Insurance Subsidiary's domicile, together with all exhibits  
or schedules filed therewith, prepared in conformity with SAP. References to  
amounts on particular exhibits, schedules, lines, pages and columns of the  
Annual Statement are based on the format promulgated by the Minister for the  
1995 Annual Statements. If such format is changed in future years so that  
different information is contained in such items or they no longer exist, it is  
understood that the reference is to information consistent with that reported in  
the referenced item in the 1995 Annual Statement of such Insurance Subsidiary.

Applicable Margin means (a) in the case of Offshore Rate Loans, the  
-----  
rate set forth opposite "Offshore Rate" on the Pricing Grid for the applicable  
Pricing Level and (b) in the case of Base Rate Loans, 0%.

Applicable Non-Use Fee Rate means the rate set forth opposite the  
-----  
"Non-Use Fee" on the Pricing Grid for the applicable Pricing Level.

Assignee is defined in Section 10.8(a).  
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Assignment and Acceptance is defined in Section 10.8(a).  
-----

Attorney Costs means and includes all fees and disbursements of any  
-----  
law firm or other external counsel, the allocated cost of internal legal  
services and all disbursements of internal counsel.

Authorized Officers means those officers of the Borrower whose  
-----  
signatures and incumbency shall have been certified to the Administrative Agent  
pursuant to Section 8.1(c).  
-----

Base Rate means, for any day, the higher of: (a) 0.50% per annum  
-----  
above the latest Federal Funds Rate; and (b) the rate of interest in effect for  
such day as publicly announced from time to time by BofA in San Francisco,  
California, as its "reference rate." (The "reference rate" is a rate set by  
BofA based upon various factors including BofA's costs and desired return,  
general economic conditions and other factors, and is used as a reference point  
for pricing some loans, which may be priced at, above, or below such announced  
rate.)

Any change in the reference rate announced by BofA shall take effect  
at the opening of business on the day specified in the public announcement of  
such change.

Base Rate Loan means a Loan that bears interest based on the Base  
-----  
Rate.

BofA means Bank of America National Trust and Savings Association, a  
-----  
national banking association.

Borrowing means a borrowing hereunder consisting of Loans of the same  
-----  
Type made to the Borrower on the same day by the Lenders under Article II, and,  
other than in the case of Base Rate Loans, having the same Interest Period.

Borrowing Date means any date on which a Borrowing occurs under  
-----  
Section 2.4.  
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Borrower is defined in the Preamble.  
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Business Day means any day other than a Saturday, Sunday or other day

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on which commercial banks in New York City, Chicago, San Francisco or Hamilton, Bermuda are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means such a day on which dealings are carried on in the applicable eurodollar interbank market. Each Lender located in Bermuda shall provide the Administrative Agent with a list of Bermuda banking holidays thirty (30) days prior to each January 1.

Capital Adequacy Regulation means any guideline, request or directive

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of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

Capitalized Lease means, as to any Person, any lease which is or

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should be capitalized on the balance sheet in accordance with GAAP, together with any other lease which is in substance a financing lease, including, without limitation, any lease under which (a) such Person has or will have an option to purchase the property subject thereto at a nominal amount or an amount less than a reasonable estimate of the fair market value of such property as of the date the lease is entered into or (b) the term of the lease approximates or exceeds the expected useful life of the property leased thereunder.

Change in Control shall be deemed to have occurred if (a) any sale,

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lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Borrower occurs; (b) any "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") other than a Founding Shareholder, is or becomes, directly or indirectly, the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, of securities of the Borrower that represent 51% or more of the combined voting power of the Borrower's then outstanding securities; or (c) a majority of the members of the Borrower's Board of Directors are persons who are then serving on the Board of Directors without having been elected by the Board of Directors or having been nominated for election by its shareholders.

Closing means the execution and delivery of this Agreement by the

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parties hereto.

Closing Date means December 15, 1994.

Code means the Internal Revenue Code of 1986, as amended and any

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successor statute of similar import, together with the regulations thereunder, as amended, reformed or otherwise modified and in effect from time to time. References to sections of the Code shall be construed to also refer to successor sections.

Commitment is defined in Section 2.1.

Commitment Amount means, on any date, the aggregate amount shown on Schedule 2.1 for all Lenders, as such amount may be adjusted pursuant to Section 2.2, 7.2 or 10.8.

Commitment Termination Date means the earliest to occur of (a) December 1, 1999, as such date may be extended pursuant to Section 2.13 or (b) the date on which any Commitment Termination Event occurs.

Commitment Termination Event means (a) the occurrence of a Default described in Section 7.1(e) or (b) the occurrence and continuance of any other Event of Default and either (i) the Loans are declared to be due and payable pursuant to Section 7.2, or (ii) in the absence of such declaration, the Administrative Agent, acting at the direction of the Required Lenders, gives notice to the Borrower that the Commitments have been terminated.

Compliance Certificate means a certificate substantially in the form of Exhibit C but with such changes as the Administrative Agent may from time to time request for purposes of monitoring the Borrower's compliance herewith.

Consolidated Debt means the consolidated Debt of the Borrower and its Subsidiaries, including without limitation the principal amount of the Loans.

Contingent Liability means any agreement, undertaking or arrangement by which any Person (outside the ordinary course of business) guarantees, endorses, acts as surety for or otherwise becomes or is contingently liable for (by direct or indirect agreement, contingent or otherwise, to provide funds for payment by, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the Debt, obligation or other liability of any other Person (other than by endorsements of instruments in the course of collection), or for the payment of dividends or other distributions upon the shares of any other Person or undertakes or agrees (contingently or otherwise) to purchase, repurchase, or otherwise acquire or become responsible for any Debt, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition of any other Person, or to make payment or transfer property to any other Person other than for fair value received; provided, however, that obligations of each of the

Insurance Subsidiaries under Primary Policies or Reinsurance Agreements which are entered into in the ordinary course of business (including security posted by each of the Insurance Subsidiaries in the ordinary course of its business to secure obligations thereunder) shall not be deemed to be Contingent Liabilities of such Insurance Subsidiary or the Borrower for the purposes of this

Agreement. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum permitted principal amount, if larger) of the Debt, obligation or other liability guaranteed or supported thereby.

Contractual Obligation means, relative to any Person, any obligation,  
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commitment or undertaking under any agreement or other instrument to which such Person is a party or by which it or any of its property is bound or subject.

Controlled Group means the Borrower and any corporation, trade or  
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business that is, along with the Borrower, a member of a controlled group of corporations or a controlled group of trades or businesses as described in sections 414(b) and 414(c), respectively, of the Code or in section 4001 of ERISA.

Debt means, with respect to any Person, at any date, without  
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duplication, (a) all obligations of such Person for borrowed money or in respect of loans or advances; (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations in respect of letters of credit which have been drawn but not reimbursed by the Person for whose account such letter of credit was issued, and bankers' acceptances issued for the account of such Person; (d) all obligations in respect of Capitalized Leases of such Person; (e) all Hedging Obligations of such Person other than Hedging Obligations which are reflected in such Person's financial statements; (f) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services; (g) Debt of such Person secured by a Lien on property owned or being purchased by such Person (including Debt arising under conditional sales or other title retention agreements) whether or not such Debt is limited in recourse; (h) any Debt of another Person secured by a Lien on any assets of such first Person, whether or not such Debt is assumed by such first Person; (i) any Debt of a partnership in which such Person is a general partner; and (j) all Contingent Liabilities of such Person whether or not in connection with the foregoing; provided that, notwithstanding anything to contrary contained herein, Debt shall not include (x) issued, but undrawn, letters of credit which have been issued to reinsurance cedents in the ordinary course of business or, (y) unsecured current liabilities incurred in the ordinary course of business and paid within 90 days after the due date (unless contested diligently in good faith by appropriate proceedings and, if requested by the Administrative Agent, reserved against in conformity with GAAP) other than liabilities that are for money borrowed or are evidenced by bonds, debentures, notes or other similar instruments (except as described in clause (x) above) or (z) any obligations of such Person under any Reinsurance Agreement or any Primary Policy.

Debt to Capital Ratio means the ratio of (a) Consolidated Debt to (b) -----  
the sum of Net Worth plus Consolidated Debt.

Default means any condition or event, which, after notice or lapse of -----  
time or both, would constitute an Event of Default.

Department is defined in Section 4.2.  
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Dollar(s) and the sign "\$" means lawful money of the United States of -----  
America.

"Eligible Assignee" means (a) a commercial bank organized under the -----  
laws of the United States, or any state thereof, and having a combined capital  
and surplus of at least \$250,000,000; (b) a commercial bank organized under the  
laws of any other country which is a member of the Organization for Economic  
Cooperation and Development (the "OECD"), or a political subdivision of any such  
country, and having a combined capital and surplus of at least \$250,000,000,  
provided that such bank is acting through a branch or agency located in the  
United States; (c) a Person that is primarily engaged in the business of  
commercial banking and that is (i) a Subsidiary of a Lender, (ii) a Subsidiary  
of a Person of which a Lender is a Subsidiary, or (iii) a Person of which a  
Lender is a Subsidiary; and (d) mutual funds, pension funds and other  
institutional investors (except an Affiliate of the Borrower) regularly engaged  
in the making of commercial loans.

ERISA means the Employee Retirement Income Security Act of 1974, as -----  
amended, and any successor statute of similar import, together with the  
regulations promulgated thereunder and under the Code, in each case as in effect  
from time to time. References to sections of ERISA also refer to successor  
sections.

ERISA Event means, with respect to the Borrower, (a) a Reportable -----  
Event (other than a Reportable Event not subject to the provision for 30-day  
notice to the PBGC under regulations issued under section 4043 of ERISA), (b)  
the withdrawal of the Borrower or any Affiliate from a Plan during a plan year  
in which it was a "substantial employer" as defined in section 4001(a)(2) of  
ERISA if such withdrawal would have a Material Adverse Effect on the Borrower,  
or on the Borrower and its Subsidiaries taken as a whole, (c) the filing of a  
notice of intent to terminate a Plan under a distress termination or the  
treatment of a Plan amendment as a distress termination under section 4041(c) of  
ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC under  
section 4042 of ERISA, (e) the failure to make required contributions which  
would result in the imposition of a Lien under section 412 of the Code or  
section 302 of ERISA, or (f) any other event or condition which might reasonably  
be expected to constitute grounds under section 4042 of ERISA for the

termination of, or the appointment of a trustee to administer, any Plan.

Event of Default means any of the events described in Section 7.1.  
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Executive Officer means, as to any Person, the president, the chief  
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financial officer, the chief executive officer, the general counsel, the  
treasurer or the secretary.

Federal Funds Rate means, for any day, the rate set forth in the  
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weekly statistical release designated as H.15(519), or any successor  
publication, published by the Federal Reserve Bank of New York (including any  
such successor, "H.15(519)") on the preceding Business Day opposite the caption  
"Federal Funds (Effective)"; or, if for any relevant day such rate is not so  
published on any such preceding Business Day, the rate for such day will be the  
arithmetic mean as determined by the Administrative Agent of the rates for the  
last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New  
York City time) on that day by each of three leading brokers of Federal funds  
transactions in New York City selected by the Administrative Agent.

Fiscal Quarter means any quarter of a Fiscal Year.  
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Fiscal Year means any period of twelve consecutive calendar months  
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ending on the last day of December.

FRB means the Board of Governors of the Federal Reserve System, and  
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any Governmental Authority succeeding to any of its principal functions.

Founding Shareholders means Persons who are signatories to the  
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Shareholders Agreement on the Amendment Effective Date or their Affiliates.

Funding Percentage means for any Lender, the percentage set forth  
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opposite the name of such Lender in Schedule 2.1 as the same may be adjusted  
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from time to time pursuant to Section 10.8.  
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GAAP means generally accepted accounting principles set forth from  
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time to time in the opinions and pronouncements of the Accounting Principles  
Board and the American Institute of Certified Public Accountants and statements  
and pronouncements of the Financial Accounting Standards Board (or agencies with  
similar functions of comparable stature and authority within the U.S. accounting  
profession), which are applicable to the circumstances as of the date of  
determination.

Governmental Authority means any nation or government, any state or  
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other political subdivision thereof, and any entity exercising executive,  
legislative, judicial, regulatory or administrative functions of or pertaining  
to government.

Hedging Obligations means, with respect to any Person, the net

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liability of such Person under any futures contract or options contract  
(including property catastrophe futures and options), interest rate swap  
agreements and interest rate collar agreements and all other agreements or  
arrangements (other than Retrocession Agreements) designed to protect such  
Person against catastrophic events, fluctuations in interest rates or currency  
exchange rates.

Indemnified Liabilities is defined in Section 10.5.  
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Indemnified Person is defined in Section 10.5.  
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Insurance Code means, with respect to any Insurance Subsidiary, the

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Insurance Code of such Insurance Subsidiary's domicile and any successor statute  
of similar import, together with the regulations thereunder, as amended or  
otherwise modified and in effect from time to time. References to sections of  
the Insurance Code shall be construed to also refer to successor sections.

Insurance Policies means policies purchased from insurance companies

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by any of the Borrower or its Subsidiaries, for its own account to insure  
against its own liability and property loss (including, without limitation,  
casualty, liability and workers' compensation insurance), other than  
Retrocession Agreements.

Insurance Subsidiary means Renaissance Reinsurance Ltd., a Bermuda

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company and any other Subsidiary of the Borrower created after the Closing Date.

Interest Payment Date means, as to any Offshore Rate Loan, the last

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day of each Interest Period applicable to such Loan and if an Interest Period  
exceeds three months, the day three months after the commencement of the  
Interest Period and, as to any Base Rate Loan, the last Business Day of each  
calendar quarter.

Interest Period means as to any Offshore Rate Loan, the period

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commencing on the Borrowing Date of such Loan or on the Conversion/Continuation  
Date on which the Loan is converted into or continued as an Offshore Rate Loan,  
and ending on the date one, two, three or six months thereafter as selected by  
the Borrower in its Notice of Borrowing or Notice of Conversion/Continuation;

provided that:

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(i) if any Interest Period would otherwise end on a day that is  
not a Business Day, that Interest Period shall be extended to the following  
Business Day unless, in the case of an Offshore Rate Loan, the result of  
such extension would be to carry such Interest Period into another calendar

month, in which event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period for any Loan shall extend beyond the scheduled Commitment Termination Date.

Invested Assets means cash, cash equivalents, short term investments, -----  
investments held for sale and any other assets which are treated as investments under GAAP.

IRS means the U.S. Internal Revenue Service, and any Governmental ---  
Authority succeeding to any of its principal functions under the Code.

Lenders is defined in the Preamble.  
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Lending Office means, as to any Lender, the office or offices of such -----  
Lender specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office", as the case may be, on Schedule 10.2, or such other -----  
office or offices as such Lender may from time to time notify the Borrower and the Administrative Agent.

License(s) is defined in Section 4.14.  
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Lien means, when used with respect to any Person, any interest in any ----  
real or personal property, asset or other right held, owned or being purchased or acquired by such Person for its own use, consumption or enjoyment which secures payment or performance of any obligation and shall include any mortgage, lien, pledge, encumbrance, charge, retained title of a conditional vendor or lessor, or other security agreement, mortgage, deed of trust, chattel mortgage, assignment, pledge, retention of title, financing or similar statement or notice, or other encumbrance arising as a matter of law, judicial process or otherwise.

"Loan" means an extension of credit by a Lender to the Borrower under ----  
Article II, and may be a Base Rate Loan or an Offshore Rate Loan (each, a "Type" -----  
of Loan).

Loan Documents means this Agreement, any Notes and all other -----  
agreements, instruments, certificates, documents, schedules or other written indicia delivered by the Borrower or any of its Subsidiaries in connection with any of the foregoing.

Margin Stock means "margin stock" as such term is defined in

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Regulation G, T, U or X of the FRB.

Material Adverse Effect means, the occurrence of an event (including

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any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), which has or could reasonably be expected to have a materially adverse effect on:

(a) the assets, business, financial condition or operations of the Borrower and its Subsidiaries taken as a whole; or

(b) the ability of the Borrower to perform any of its payment or other material obligations under any of the Loan Documents; or

(c) the legality, validity, binding effect or enforceability against the Borrower of any Loan Document that by its terms purports to bind the Borrower.

Minister means the Minister of Finance of Bermuda or similar

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Governmental Authority in the applicable jurisdiction.

Multiemployer Plan means a "multiemployer plan" as defined in section

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4001(a)(3) of ERISA, and to which the Borrower or any of the Subsidiaries is making, or is obligated to make, contributions, or has made, or has been obligated to make, contributions.

Net Debt Proceeds means, relative to Debt described in clause (a) or

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(b) of the definition of Debt issued or incurred by the Borrower after the Closing Date (other than Debt under this Agreement or Debt issued to any Founding Shareholder which by its terms does not provide for principal payments prior to the Commitment Termination Date, as such Date may be extended, and is subordinate to the Obligations), the excess of

(a) the gross cash proceeds received by the Borrower

over

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(b) all reasonable underwriting commissions, private placement fees, legal, investment banking, and accounting fees and disbursements, printing expenses, and any governmental or exchange fees incurred (or reasonably expected to be incurred) in connection with such issuance or incurrence which are not payable to Affiliates of the Borrower.

Net Securities Proceeds means, relative to the sale by the Borrower of

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any stock, warrants or other equity securities



which qualify as equity under GAAP (other than sales to Founding Shareholders), the excess of

(a) the gross cash proceeds received by the Borrower from such sale or contribution

over  
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(b) all reasonable underwriting commissions, private placement fees, legal, investment banking, and accounting fees and disbursements, printing expense, and any governmental or exchange fees incurred (or reasonably expected to be incurred) in connection with such sale which are not payable to Affiliates of the Borrower.

Net Worth means the shareholders equity, calculated in accordance with -----  
GAAP, plus any preferred shares of the Borrower and its consolidated Subsidiaries which shall not be redeemable before the Commitment Termination Date.

Note means a promissory note executed by the Borrower in favor of a -----  
Lender pursuant to Section 2.3(b), in substantially the form of Exhibit F.

Notice of Borrowing means a notice in substantially the form of -----  
Exhibit A.  
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Notice of Conversion/Continuation means a notice in substantially the -----  
form of Exhibit B.  
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Obligations means all obligations and liabilities of the Borrower and -----  
its Subsidiaries to the Administrative Agent or any of the Lenders, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, primary or secondary, joint or several, recourse or nonrecourse or now or hereafter existing or due or to become due, whether for principal, interest, fees, expenses, lease obligations, claims, indemnities or otherwise, under or in connection with this Agreement, or any other Loan Document.

Offshore Rate means, for any Interest Period, with respect to Offshore -----  
Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by the Administrative Agent as follows:

$$\text{Offshore Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Where,

Eurodollar Reserve Percentage means for any day for any Interest -----  
Period the maximum reserve percentage (expressed as a decimal, rounded upward to

the next 1/100th of 1%) in effect on such day (whether or not applicable to any Lender) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities"); and

LIBOR means the rate of interest per annum determined by the

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Administrative Agent to be the arithmetic mean (rounded upward to the next 1/16th of 1%) of the rates of interest per annum determined by the Administrative Agent as the rate of interest at which dollar deposits in the approximate amount of the amount of the Loan to be made or continued as, or converted into, an Offshore Rate Loan by the Administrative Agent or its Affiliates and having a maturity comparable to such Interest Period would be offered by the Administrative Agent to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

Offshore Rate Loan means a Loan that bears interest based on the

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Offshore Rate.

Ordinary Course Litigation is defined in Section 4.4.

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Organization Documents means, for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation.

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Original Credit Agreement is defined in the recitals.

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Original Credit Agreement Banks is defined in the recitals.

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Original Loans is defined in the recitals.

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Other Taxes means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

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Participants is defined in Section 10.8(d).

PBGC means the Pension Benefit Guaranty Corporation or any entity

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succeeding to any or all of its functions.

Permitted Investment means, at any time:

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(a) any evidence of Debt, maturing not more than one year after such time, issued or guaranteed by the United States Government;

(b) commercial paper, maturing not more than one year from the date of issue, which is issued by

(i) a corporation (except an Affiliate of the Borrower) rated at least A-2 by Standard & Poor's Rating Group, P-2 by Moody's Investors Service, Inc. or D-2 by Duff & Phelps Credit Rating Company, or

(ii) any Lender (or its holding company);

(c) any certificate of deposit or bankers' acceptance or eurodollar time deposit, maturing not more than one year after the date of issue, which is issued by either

(i) a financial institution which is rated at least BBB- by Standard & Poor's Rating Group or Duff & Phelps Credit Rating Company or Baa3 by Moody's Investors Service, Inc. or 2 or above by the National Association of Insurance Commissioners, or

(ii) any Lender; or

(d) any repurchase agreement with a term of one year or less which

(i) is entered into with

(A) any Lender, or

(B) any other commercial banking institution of the stature referred to in clause (c)(i), and

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(ii) is secured by a fully perfected Lien in any obligation of the type described in any of clauses (a) through (c) that has a market

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value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such Lender (or other commercial banking institution) thereunder;

(e) investments in money market funds that invest solely in Permitted Investments described in clauses (a) through (d);

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(f) investments in short-term asset management accounts offered by any Lender for the purpose of investing

in loans to any corporation (other than an Affiliate of the Borrower) organized under the laws of any state of the United States or of the District of Columbia and rated at least A-1 by Standard & Poor's Rating Group or P-1 by Moody's Investors Service, Inc.;

(g) investments in non-equity securities which are rated at least BBB- by Standard & Poor's Rating Group or Duff & Phelps Credit Rating Company or Baa3 by Moody's Investors Service, Inc. or 2 or above by the National Association of Insurance Commissioners; or

(h) investments in non-equity securities which are not rated but are determined by the Borrower's investment managers to be of comparable quality to investments permitted under clause(g); provided, however, that

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as promptly as practicable upon receipt of a written notice from the Administrative Agent or the Required Lenders stating that an investment is not permitted under this clause (h), the Borrower shall sell such

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investment.

Person means any natural person, corporation, partnership, firm,

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trust, association, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

Plan means any "employee pension benefit plan," as such term is

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defined in ERISA, which is subject to Title IV of ERISA (other than a "Multiemployer Plan"), and as to which any entity in the Controlled Group has or may have any liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA for any time within the preceding five years or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

Pricing Grid means the Pricing Grid set forth on Schedule 1.2.

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Pricing Level means the Pricing Level on the Pricing Grid which is applicable from time to time and in accordance with Section 2.7(c).

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Primary Policies means any insurance policies issued by an Insurance Subsidiary.

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Pro Rata Share means as to any Lender at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Lender's Commitment divided by the combined Commitments of all Lenders.

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Registration Rights Agreement means the Registration Rights Agreement dated as of May 6, 1996 among the Borrower, Warburg, Pincus Investors, L.P., Trustees of General Electric Pension Trust, GE Investment Private Placement Partners I,

Limited Partnership, United States Fidelity and Guaranty Company and certain individuals.

Reinstatement Premiums means premiums charged to insureds to  
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reinstate or continue coverage under a Reinsurance Policy after a loss.

Reinsurance Agreements means any agreement, contract, treaty,  
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certificate or other arrangement whereby any Insurance Subsidiary agrees to assume from or reinsure another insurer or reinsurer all or part of the liability of such insurer or reinsurer under a policy or policies of insurance issued by such insurer or reinsurer.

Reportable Event means, any of the events set forth in Section  
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4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

Required Lenders means, at any time, Lenders then having at  
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least 60% of the aggregate amount of the Commitments or, if the Commitments have been terminated, Lenders then holding at least 60% of the then aggregate unpaid principal amount of the Loans.

Requirement of Law for any Person means the Organization  
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Documents of such Person, and any law, treaty, rule, ordinance or regulation or determination of an arbitrator or a court or other governmental authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

Retrocession Agreements means any agreement, treaty,  
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certificate or other arrangement whereby any Insurance Subsidiary cedes to another insurer all or part of such Insurance Subsidiary's liability under a policy or policies of insurance reinsured by such Insurance Subsidiary.

SAP means, as to each Insurance Subsidiary, the statutory  
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accounting practices prescribed or permitted by the Minister (or other similar authority) in such Insurance Subsidiary's domicile for the preparation of Annual Statements and other financial reports by insurance corporations of the same type as such Insurance Subsidiary.

Shareholders Agreement means the Shareholders Agreement dated  
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as of August 1, 1995 among the Borrower, United States Fidelity and Guaranty Company, Warburg, Pincus Investors, L.P., Trustees of the General Electric Pension Trust and GE Investment Private Placement Partners I, Limited Partnership.

S&P Claims Rating means the claims paying ability rating of  
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Renaissance Reinsurance Ltd. as determined from time to

time by Standard & Poor's Ratings Group. If at any time no such rating shall be determined, it shall be assumed to be below BBB+.

Statutory Financial Statements is defined in Section 4.2(a).

Subsidiary means a corporation of which the indicated Person and/or its

other Subsidiaries, individually or in the aggregate, own, directly or indirectly, such number of outstanding shares as have at the time of any determination hereunder more than 50% of the ordinary voting power. Unless otherwise specified, "Subsidiary" shall mean a Subsidiary of the Borrower.

Taxes means any and all present or future taxes, levies, imposts,

deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Lender's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender or the Administrative Agent, as the case may be, is organized or maintains a lending office.

Welfare Plan means any "employee welfare benefit plan" as such term is

defined in ERISA, as to which the Borrower has any liability.

SECTION 1.2. Other Interpretive Provisions. (a) The meanings of defined

terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation. "

(iii) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including."

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent

amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and have been reviewed by counsel to the Administrative Agent, the Borrower and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Lenders or the Administrative Agent merely because of the Administrative Agent's or Lenders' involvement in their preparation.

SECTION 1.3. Accounting Principles. Unless otherwise defined or the

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context otherwise requires, all financial and accounting terms used herein or in any of the Loan Documents or any certificate or other document made or delivered pursuant hereto shall be defined in accordance with GAAP or SAP, as the context may require. When used in this Agreement, the term "financial statements" shall include the notes and schedules thereto. In addition, when used herein, the terms "best knowledge of" or "to the best knowledge of" any Person shall mean matters within the actual knowledge of such Person (or an Executive Officer or general partner of such Person) or which should have been known by such Person after reasonable inquiry.

SECTION 1.4. Reallocation of Pro Rata Shares. By their execution of

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this Agreement, each of the Lenders agrees that effective on the Amendment Effective Date, the Pro Rata Shares of the Original Credit Agreement Banks are adjusted to equal the respective percentages set forth on Schedule 2.1. On the

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Amendment Effective Date, the Borrower shall terminate the Interest Periods applicable to the Original Loans and shall repay the Original Loans in full (including interest thereon) with the proceeds of the initial Loans made under this Agreement. In the event any Original Credit Agreement Bank has been issued a Note, such Original Credit Agreement Bank shall, on or before the Amendment Effective Date, deliver such Note to the Administrative Agent and the Borrower shall issue and deliver to the Administrative Agent, for the account of each such Lender, a new Note in the principal amount of the respective Commitment of such

Lender set forth in Schedule 2.1. Upon receipt of such new Note(s) the

Administrative Agent shall deliver the Note(s) issued by the Borrower in connection with the Original Credit Agreement to the Borrower for cancellation. The termination of the Interest Periods and repayment of the Original Loans shall not be subject to Section 3.4, provided such occurs on December 12, 1996.

Lenders which are not Original Credit Agreement Banks shall have no right to any payment of principal or interest on the Original Loans.

ARTICLE II.

AMOUNT AND TERMS OF COMMITMENT

SECTION 2.1. Revolving Loan Commitment. Upon and subject to the terms

and conditions hereof, each of the Lenders severally and for itself agrees to make revolving loans to the Borrower (collectively called the "Loans" and individually called a "Loan") from time to time on any Business Day during the period from the Amendment Effective Date to the Commitment Termination Date, in an aggregate amount not to exceed at any time outstanding the amount set forth on Schedule 2.1 (such amount as the same may be adjusted under Section 2.2 or as

a result of one or more assignments under Section 10.8, the Lender's

"Commitment"); provided, however, that, after giving effect to any Borrowing,

the aggregate principal amount of all outstanding Loans shall not at any time exceed the combined Commitments. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Borrower may borrow under this Section 2.1, prepay under Section 2.6 and reborrow under this

Section 2.1.

SECTION 2.2. Termination or Reduction of Commitments. (a) The

Borrower may, upon not less than five Business Days' prior notice to the Administrative Agent, terminate the Commitments, or permanently reduce the Commitments by an aggregate minimum amount of \$5,000,000 or any multiple of \$500,000 in excess thereof; unless, after giving effect thereto and to any

prepayments of Loans to be made on the effective date thereof, the then-outstanding principal amount of the Loans would exceed the amount of the combined Commitments then in effect. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to each Lender according to its Pro Rata Share.

(b) Mandatory Commitment Reduction. On each date a payment is required pursuant to Section 2.6(d), the Commitments shall, without any further action, automatically and permanently be reduced by the amount of such required payment.

SECTION 2.3. Loan Accounts. (a) The Loans made by each Lender shall be

evidenced by one or more loan accounts or records maintained by such Lender in the ordinary course of business. The loan accounts or records maintained by each Lender



shall be conclusive, absent manifest error, of the amount of the Loans made by such Lender to the Borrower and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Loans.

(b) Upon the written request of any Lender made through the Administrative Agent, the Loans made by such Lender may be evidenced by one or more Notes, instead of loan accounts. Each such Lender shall endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto. Each such Lender is irrevocably authorized by the Borrower to endorse its Note(s) and each such Lender's Note shall be conclusive, absent manifest error; provided, however, that the failure of a Lender to make, or an

error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Borrower hereunder or under any such Note to such Lender.

SECTION 2.4. Procedure for Borrowing. (a) Each Borrowing shall

be made upon the Borrower's irrevocable written notice delivered to the Administrative Agent in the form of a Notice of Borrowing (which notice must be received by the Administrative Agent prior to 9:00 a.m. (San Francisco time) (x) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Loans; and (y) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans, specifying:

(i) the amount of the Borrowing, which shall be in an aggregate minimum amount of \$5,000,000 or any multiple of \$500,000 in excess thereof;

(ii) the requested Borrowing Date, which shall be a Business Day;

(iii) the Type of Loans comprising the Borrowing; and

(iv) the duration of the Interest Period applicable to any Offshore Loans included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of Offshore Rate Loans, such Interest Period shall be three months.

provided, however, that with respect to the Borrowing of Offshore Rate Loans to

be made on the Amendment Effective Date, the Notice of Borrowing shall be delivered to the Administrative Agent not later than 2:00 p.m. (San Francisco time) three (3) Business Days before the Amendment Effective Date.

(b) The Administrative Agent will promptly notify each Lender of its receipt of any Notice of Borrowing and of the amount of such Lender's Pro Rata Share of that Borrowing.

(c) Each Lender will make the amount of its Pro Rata Share of each Borrowing available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Payment Office by 10:00 a.m. (San Francisco time) on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. The proceeds of all such Loans will then be made available to the Borrower by the Administrative Agent by wire transfer in accordance with written instructions provided to the Administrative Agent by the Borrower of like funds as received by the Administrative Agent.

(d) After giving effect to any Borrowing, there may not be more than five (5) different Interest Periods in effect.

SECTION 2.5. Conversion and Continuation Elections. (a) The Borrower  
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may, upon irrevocable written notice to the Administrative Agent in  
accordance with Section 2.5(b):  
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(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of any other Type of Loans, to convert any such Loans (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$500,000 in excess thereof) into Loans of any other Type; or

(ii) elect, as of the last day of the applicable Interest Period, to continue any Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than \$5,000,000, or that is in an integral multiple of \$500,000 in excess thereof);

provided, that if at any time the aggregate amount of Offshore Rate Loans in  
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respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than \$1,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Borrower to continue such Loans as, and convert such Loans into, Offshore Rate Loans shall terminate.

(b) The Borrower shall deliver a Notice of Conversion/Continuation to be received by the Administrative Agent not later than 9:00 a.m. (San Francisco time) at least (x) three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Offshore Rate Loans; and (y) one Business Day in advance of the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(i) the proposed Conversion/Continuation Date;

(ii) the aggregate amount of Loans to be converted or continued;

(iii) the Type of Loans resulting from the proposed conversion or continuation; and

(iv) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Loans, the Borrower has failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans, as the case may be, or if any Default or Event of Default then exists, the Borrower shall be deemed to have elected to convert such Offshore Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Administrative Agent will promptly notify each Lender of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Borrower, the Administrative Agent will promptly notify each Lender of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Lender.

(e) After giving effect to any conversion or continuation of Loans, there may not be more than five (5) different Interest Periods in effect.

SECTION 2.6. Repayments. (a) Subject to Section 3.4, the Borrower may,

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at any time or from time to time, upon not less than three (3) Business Days' irrevocable notice to the Administrative Agent, ratably prepay Loans in whole or in part, in minimum amounts of \$1,000,000 or any multiple of \$500,000 in excess thereof. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of any such notice, and of such Lender's Pro Rata Share of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with, in the case of prepayment of Offshore Rate Loans, accrued interest to each such date on the amount prepaid and any amounts required pursuant to Section 3.4.  
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(b) If at any time the aggregate outstanding principal amount of the Loans shall exceed the Commitment Amount in effect at such time, the Borrower shall make a principal repayment of the Loans in an amount equal to such excess.

(c) The Borrower shall, immediately upon any acceleration of the maturity date of the Loans pursuant to Section 7.2, repay the Loans.  
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(d) Within one Business Day after the Borrower receives any Net Debt Proceeds or any Net Securities Proceeds, the Borrower shall repay the Loans in an amount equal to 30% of such Net Debt Proceeds or Net Securities Proceeds, as the case may be, unless such payment has been previously waived in writing by the Required Lenders. The Commitment shall be reduced dollar by dollar for any payment made pursuant to this Section 2.6(d).  
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(e) The Borrower shall repay to the Lenders on the Commitment Termination Date the aggregate principal amount of Loans outstanding on such date.

SECTION 2.7. Interest. (a) Each Loan shall bear interest on the  
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outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to, the Offshore Rate or the Base Rate, as the case may be (and subject to the Borrower's right to convert to other Types of Loans under Section 2.5), plus the Applicable Margin.  
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(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Offshore Rate Loans under Section 2.6 for the portion of the Loans so prepaid  
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and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Administrative Agent at the request or with the consent of the Required Lenders.

(c) Any change in the Applicable Margin or Applicable Non-Use Fee Rate resulting from a change in the S & P Claims Rating shall be effective as of the effective date of the change in the S & P Claims Rating. The Borrower agrees promptly upon any change in the S & P Claims Rating to inform the Agent thereof.

(d) Notwithstanding clause (a) of this Section, after acceleration or,  
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at the election of the Required Lenders while any Event of Default exists, the Borrower shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Obligations, at a rate per annum which is determined by adding 3% per annum to the Applicable Margin then in effect for such Loans and, in the case of Obligations not subject to an interest rate, at a rate per annum equal to the Base Rate plus 3%; provided, however, that, on and after the expiration of any  
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Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 3%.

(e) Anything herein to the contrary notwithstanding, the obligations of the Borrower to any Lender hereunder shall be subject to the limitation that payments of interest shall not be required for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by such Lender would be contrary to the provisions of any law applicable to such Lender limiting the highest rate of interest that may be lawfully contracted for, charged or received by such Lender, and in such event the Borrower shall pay such Lender interest at the highest rate permitted by applicable law.

SECTION 2.8. Fees. (a) Agency Fees. The Borrower shall pay fees to  
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the Administrative Agent for the Administrative Agent's own account, as required by the letter agreement ("Fee Letter") between the Borrower and the  
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Administrative Agent dated November 29, 1995 and as the Borrower and the Administrative Agent may agree from time to time.

(b) Non-Use Fees. The Borrower shall pay to the Administrative Agent  
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for the account of each Lender a non-use fee on the average daily unused portion of such Lender's Commitment, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the daily utilization for that quarter as calculated by the Administrative Agent, equal to the Applicable Non-Use Fee Rate. Such non-use fee shall accrue from the Amendment Effective Date to the Commitment Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each March, June, September and December commencing on December 31, 1996 through the Commitment Termination Date, with the final payment to be made on the Commitment Termination Date. The non-use fees provided in this subsection shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article VIII are not met. The non-use fee for the period prior to  
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the Amendment Effective Date shall be due and payable pursuant to the terms of the Original Credit Agreement.

SECTION 2.9. Computation of Fees and Interest. (a) All computations of  
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fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Administrative Agent shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

SECTION 2.10. Payments by the Borrower. (a) All payments to be  
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made by the Borrower shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Borrower shall be

made to the Administrative Agent for the account of the Lenders at the Administrative Agent's Payment Office, and shall be made in Dollars and in immediately available funds, no later than 10:00 a.m. (San Francisco time) on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Administrative Agent later than 10:00 a.m. (San Francisco time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Administrative Agent receives notice from the Borrower prior to the date on which any payment is due to the Lenders that the Borrower will not make such payment in full as and when required, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower has not made such payment in full to the Administrative Agent, each Lender shall repay to the Administrative Agent on demand such amount distributed to such Lender, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date repaid.

SECTION 2.11. Payments by the Lenders to the Administrative Agent. (a)

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Unless the Administrative Agent receives notice from a Lender on or prior to the Amendment Effective Date or, with respect to any Borrowing after the Amendment Effective Date, at least one Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Administrative Agent for the account of the Borrower the amount of that Lender's Pro Rata Share of the Borrowing, the Administrative Agent may assume that each Lender has made such amount available to the Administrative Agent in immediately available funds on the Borrowing Date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Borrower such amount, that Lender shall on the Business Day following such Borrowing Date make such amount available to the

Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Administrative Agent submitted to any Lender with respect to amounts owing under this subsection (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Lender's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Borrower of such failure to fund and, upon demand by the Administrative Agent, the Borrower shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Lender to make any Loan on any Borrowing Date shall not relieve any other Lender of any obligation hereunder to make a Loan on such Borrowing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on any Borrowing Date.

SECTION 2.12. Sharing of Payments, Etc. If, other than as expressly

provided elsewhere herein, any Lender shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment pro rata with each of them; provided, however, that if all or any portion of

such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 10.10) with

respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments.

SECTION 2.13. Termination Date Extension. (a) The Borrower

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may, by notice to the Administrative Agent given not more than 90 days and not less than 60 days prior to December 1, 1997 and/or December 1, 1998 (the "Extension Request Date"), request that the Lenders extend the Commitment

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Termination Date for one year after the then scheduled Commitment Termination Date. The Administrative Agent shall notify the Lenders of its receipt of any notice given pursuant to this Section 2.13(a) within two Business Days after the

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Administrative Agent's receipt thereof. Each Lender (a "Consenting Lender") may,

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by irrevocable notice to the Borrower and the Administrative Agent delivered to the Borrower and the Administrative Agent not later than 45 days after the Extension Request Date (the "Consent Period"), consent to such extension of the

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Commitment Termination Date, which consent may be given or withheld by each Lender in its absolute and sole discretion. Subject to Section 2.13(c), any such

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extension shall take effect on and as of such December 1.

(b) Withdrawing Lenders. No extension pursuant to Section

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2.13(a) shall be effective with respect to a Lender that either (i) by a notice

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(a "Withdrawal Notice") delivered to the Borrower and the Administrative Agent,

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declines to consent to such extension or (ii) has failed to respond to the Borrower and the Administrative Agent within the Consent Period (each such Lender giving a Withdrawal Notice or failing to respond in a timely manner being "Withdrawing Lender").

(c) Replacement of Withdrawing Lender. The Borrower shall have

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the right during the 60 day period following the end of the Consent Period to replace the Withdrawing Lender with an existing Lender or a new Lender who consents to the extension of the Commitment Termination Date (a "Replacement

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Lender"). In the event the Borrower has not replaced the Withdrawing Lender

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within said 60 day period, the Termination Date shall not be extended.

(d) Assignment by Withdrawing Lender. A Withdrawing Lender

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shall be obliged, at the request of the Borrower and subject to the Withdrawing Lender receiving payment in full of all amounts owing to it under this Agreement concurrently with the effectiveness of an assignment, to assign, without recourse or warranty and by an Assignment and Acceptance, all of its rights and obligations hereunder to any Replacement Lender nominated by the Borrower and willing to accept such assignment; provided that such assignee satisfies all the

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requirements of this Agreement and such assignment is consented to by the Administrative Agent, which consent shall not be withheld or delayed unreasonably.

(e) Scheduled Commitment Termination Date. If the scheduled

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Commitment Termination Date shall have been extended in respect of Consenting Lenders and any Replacement Lender in accordance with Section 2.13(a), all

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references herein and in any Note to the "Commitment Termination Date" shall refer to the Commitment Termination Date as so extended.



ARTICLE III.

TAXES, YIELD PROTECTION AND ILLEGALITY

SECTION 3.1. Taxes. (a) Any and all payments by the Borrower

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to each Lender or the Administrative Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for any Taxes. In addition, the Borrower shall pay all Other Taxes.

(b) The Borrower agrees to indemnify and hold harmless each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Lender or the Administrative Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Lender or the Administrative Agent makes written demand therefor.

(c) If the Borrower shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Lender or the Administrative Agent, then:

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Lender or the Administrative Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Borrower shall make such deductions and withholdings;

(iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Borrower shall also pay, without duplication, to each Lender or the Administrative Agent for the account of such Lender, at the time interest is paid, all additional amounts which the respective Lender specifies as necessary to preserve the after-tax yield the Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) Within 30 days after the date of any payment by the Borrower of Taxes or Other Taxes, the Borrower shall furnish the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Administrative Agent.

(e) If the Borrower is required to pay additional amounts to any Lender or the Administrative Agent pursuant to Section 3.1(c), then such

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Lender shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Borrower which may thereafter accrue, if such change in the judgment of such Lender is not otherwise disadvantageous to such Lender or inconsistent with such Lender's internal policies.

SECTION 3.2. Illegality. (a) If any Lender determines that the

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introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by the Lender to the Borrower through the Administrative Agent, any obligation of that Lender to make Offshore Rate Loans shall be suspended until the Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist.

(b) If a Lender determines that it is unlawful to maintain any Offshore Rate Loan, the Borrower shall, upon its receipt of notice of such fact and demand from such Lender (with a copy to the Administrative Agent), prepay in full such Offshore Rate Loans of that Lender then outstanding, together with interest accrued thereon and amounts required under Section 3.4,

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either on the last day of the Interest Period thereof, if the Lender may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Lender may not lawfully continue to maintain such Offshore Rate Loan. If the Borrower is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, the Borrower shall borrow from the affected Lender, in the amount of such repayment, a Base Rate Loan.

(c) If the obligation of any Lender to make or maintain Offshore Rate Loans has been so terminated or suspended, the Borrower may elect, by giving notice to the Lender through the Administrative Agent that all Loans which would otherwise be made by the Lender as Offshore Rate Loans shall be instead Base Rate Loans.

(d) Before giving any notice to the Administrative Agent under this Section, the affected Lender shall designate a different Lending Office with respect to its Offshore Rate Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Lender, be illegal or otherwise disadvantageous to the Lender or inconsistent with such Lender's internal policies.

SECTION 3.3. Increased Costs and Reduction of Return. (a) If

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any Lender determines that, due to either (i) the

introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate) in or in the interpretation of any law or regulation or (ii) the compliance by that Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Offshore Rate Loans, then the Borrower shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Administrative Agent), pay to the Administrative Agent for the account of such Lender, additional amounts as are sufficient to compensate such Lender for such increased costs; provided that the Borrower shall not be obligated to pay any additional amounts which were incurred by such Lender more than 90 days prior to the date of such request.

(b) If any Lender shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Lender (or its Lending Office) or any corporation controlling the Lender with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Lender or any corporation controlling the Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines that the amount of such capital is increased or its rate of return is decreased as a consequence of its Commitment, loans, credits or obligations under this Agreement, then, upon demand of such Lender to the Borrower through the Administrative Agent, the Borrower shall pay to the Lender, from time to time as specified by the Lender, additional amounts sufficient to compensate the Lender for such increase; provided that the Borrower shall not be obligated to pay any additional amounts which were incurred by such Lender more than 90 days prior to the date of such request.

SECTION 3.4. Funding Losses. The Borrower shall reimburse each

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Lender and hold each Lender harmless from any loss or expense which the Lender may sustain or incur as a consequence of:

(a) the failure of the Borrower to make on a timely basis any payment of principal of any Offshore Rate Loan;

(b) the failure of the Borrower to borrow, continue or convert a Loan after the Borrower has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation that includes an Offshore Rate Loan;

(c) the failure of the Borrower to make any prepayment in accordance with any notice delivered under Section 2.6;

(d) the prepayment (including pursuant to Section 2.6) or other payment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under Section 2.5 of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Borrower to the Lenders under this Section and under Section 3.3(a), each Offshore Rate Loan made by a Lender (and each

related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBOR used in determining the Offshore Rate for such Offshore Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Loan is in fact so funded.

#### SECTION 3.5. Inability to Determine Rates. If the

Administrative Agent determines that for any reason adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or the Administrative Agent determines (or the Required Lenders advise the Administrative Agent) that the Offshore Rate applicable pursuant to Section 2.7(a) for any requested

Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Offshore Rate Loans, as the case may be, hereunder shall be suspended until the Administrative Agent revokes such notice in writing. Upon receipt of such notice, the Borrower may revoke any Notice of Borrowing or Notice of Conversion/ Continuation then submitted by it. If the Borrower does not revoke such Notice, the Lenders shall make, convert or continue the Loans, as proposed by the Borrower, in the amount specified in the applicable notice submitted by the Borrower, but such Loans shall be made, converted or continued as Base Rate Loans instead of Offshore Rate Loans.

#### SECTION 3.6. Certificates of Lenders. Any Lender claiming

reimbursement or compensation under this Article III shall deliver to the Borrower (with a copy to the Administrative Agent) a certificate setting forth in reasonable detail the amount payable to the Lender hereunder and such certificate shall

be conclusive and binding on the Borrower in the absence of manifest error.

SECTION 3.7. Substitution of Lenders. Upon the receipt by the

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Borrower from any Lender (an "Affected Lender") of a claim for compensation  
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under Section 3.1, 3.2 or 3.3 the Borrower may: (i) request the Affected Lender  
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to use its reasonable efforts to obtain a replacement bank or financial  
institution satisfactory to the Borrower to acquire and assume all or a ratable  
part of all of such Affected Lender's Loans and Commitment (a "Substitute  
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Lender"); (ii) request one more of the other Lenders to acquire and assume all  
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or part of such Affected Lender's Loans and Commitment; or (iii) designate a  
Substitute Lender. Any such designation of a Substitute Lender under clause (i)  
or (iii) shall be subject to the prior written consent of the Administrative  
Agent (which consent shall not be unreasonably withheld).

SECTION 3.8. Survival. The agreements and obligations of the

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Borrower in this Article III shall survive the payment of all other Obligations.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Agreement and to make  
Loans hereunder, the Borrower represents and warrants to each Lender that:

SECTION 4.1. Due Organization, Authorization, etc. Each of the

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Borrower and each Subsidiary (a) is a corporation duly organized, validly  
existing and in good standing under the laws of its jurisdiction of  
incorporation, (b) is duly qualified to do business and in good standing in each  
jurisdiction where, because of the nature of its activities or properties, such  
qualification is required except where the failure to qualify would not have a  
Material Adverse Effect, which jurisdictions are set forth with respect to the  
Borrower and each Subsidiary on Schedule 4.1 as revised from time to time by the  
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Borrower pursuant to Section 5.1(1), (c) has the requisite corporate power and  
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authority and the right to own and operate its properties, to lease the property  
it operates under lease, and to conduct its business as now and proposed to be  
conducted, and (d) has obtained all material licenses, permits, consents or  
approvals from or by, and has made all filings with, and given all notices to,  
all Governmental Authorities having jurisdiction, to the extent required for  
such ownership, operation and conduct (including, without limitation, the  
consummation of the transactions contemplated by this Agreement) as to each of  
the foregoing, except where the failure to do so would not have a Material  
Adverse Effect. The execution, delivery and performance by the Borrower of this  
Agreement and the consummation of the transactions contemplated hereby and  
thereby are within its

corporate powers and have been duly authorized by all necessary corporate action (including, without limitation, shareholder approval, if required). Each of the Borrower and its Subsidiaries has received all other material consents and approvals (if any shall be required) necessary for such execution, delivery and performance, and such execution, delivery and performance do not and will not contravene or conflict with, or create a Lien or right of termination or acceleration under, any Requirement of Law or Contractual Obligation binding upon the Borrower or such Subsidiaries. This Agreement and each of the Loan Documents is (or when executed and delivered will be) the legal, valid, and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms; provided that the Borrower assumes for purposes of this Section 4.1 that this Agreement and the other Loan Documents  
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have been validly executed and delivered by each of the parties thereto other than the Borrower.

SECTION 4.2. Statutory Financial Statements. (a) The Annual  
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Statement of each of the Insurance Subsidiaries (including, without limitation, the provisions made therein for investments and the valuation thereof, reserves, policy and contract claims and statutory liabilities) as filed with the appropriate Governmental Authority of its jurisdiction of domicile (the "Department") and delivered to each Lender prior to the execution and delivery  
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of this Agreement, as of and for the 1995 Fiscal Year, (the "Statutory Financial Statements"), have been prepared in accordance with SAP applied on a consistent  
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basis (except as noted therein). Each such Statutory Financial Statement was in compliance with applicable law when filed. The Statutory Financial Statements fairly present the financial position, the results of operations and changes in equity of each such Insurance Subsidiary as of and for the respective dates and periods indicated therein in accordance with SAP applied on a consistent basis, except as set forth in the notes thereto or on Schedule 4.2(a). Except for  
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liabilities and obligations, including, without limitation, reserves, policy and contract claims and statutory liabilities (all of which have been computed in accordance with SAP), disclosed or provided for in the Statutory Financial Statements, the Insurance Subsidiaries did not have, as of the respective dates of each of such financial statements, any liabilities or obligations (whether absolute or contingent and whether due or to become due) which, in conformity with SAP, applied on a consistent basis, would have been required to be or should be disclosed or provided for in such financial statements. All books of account of each of the Insurance Subsidiaries fully and fairly disclose all of the transactions, properties, assets, investments, liabilities and obligations of such Insurance Subsidiary and all of such books of account are in the possession of each such Insurance Subsidiary and are true, correct and complete in all material respects.

(b) Except as set forth on Schedule 4.2(b), there has been  
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no change in the business, assets, operations or financial

condition of the Borrower or any Subsidiary which has had or could reasonably be expected to have a Material Adverse Effect since December 31, 1995.

SECTION 4.3. GAAP Financial Statements. (a) The audited  
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consolidated financial statements of the Borrower and its Subsidiaries for the Fiscal Year ending December 31, 1995 and the unaudited consolidated financial statements of the Borrower and its Subsidiaries for the nine months ended September 30, 1996 which have been delivered to the Lenders (i) are true and correct in all material respects, (ii) have been prepared in accordance with GAAP (except as disclosed therein and, in the case of interim financial statements, for the absence of footnote disclosures and normal year-end adjustments) and (iii) present fairly the consolidated financial condition of the Borrower and its Subsidiaries at such dates, the results of their operations for the periods then ended and the investments and reserves for the periods then ended.

(b) With respect to any representation and warranty which is deemed to be made after the date hereof by the Borrower, the balance sheet and statements of operations, of shareholders' equity and of cash flow, which as of such date shall most recently have been furnished by or on behalf of the Borrower to each Lender for the purposes of or in connection with this Agreement or any transaction contemplated hereby, shall have been prepared in accordance with GAAP consistently applied (except as disclosed therein and, in the case of interim financial statements, for the absence of footnote disclosures), and shall present fairly the consolidated financial condition of the corporations covered thereby as at the dates thereof for the periods then ended, subject, in the case of quarterly financial statements, to normal year-end audit adjustments.

SECTION 4.4. Litigation and Contingent Liabilities.  
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(a) Except as set forth (including estimates of the dollar amounts involved) in Schedule 4.4 hereto and (b) except for claims which are  
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covered by Insurance Policies, coverage for which has not been denied in writing, or which relate to Primary Policies or Reinsurance Agreements issued by the Borrower or its Insurance Subsidiaries or to which it is a party entered into by the Borrower or its Insurance Subsidiaries in the ordinary course of business (referred to herein as "Ordinary Course Litigation"), no claim,  
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litigation (including, without limitation, derivative actions), arbitration, governmental investigation or proceeding or inquiry is pending or threatened against the Borrower or any of its Subsidiaries (i) which would, if adversely determined, have a Material Adverse Effect or (ii) which relates to any of the transactions contemplated hereby, and there is no basis known to the Borrower for any of the foregoing. Other than any liability incident to such claims, litigation or proceedings, the Borrower has no material Contingent Liabilities not provided for

or referred to in the financial statements delivered pursuant to Section 4.3.

SECTION 4.5. Employee Benefit Plans. Set forth on Schedule

4.5 as revised from time to time by the Borrower pursuant to Section 5.1(1) is a list of all welfare plans and all pension plans, within the meaning of sections 3(1) and (2) of ERISA, respectively, which, to the knowledge of the Borrower, are maintained with respect to employees of the Borrower or its Subsidiaries. Also set forth in Schedule 4.5 as revised from time to time by the Borrower pursuant to Section 5.1(1) is a list of all Multiemployer Plans, all Welfare Plans and all Plans which the Borrower has adopted or expects to adopt.

SECTION 4.6. Investment Company Act. Neither the Borrower nor

any of its Subsidiaries is an "investment company" or a company "controlled by an investment company," within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.7. Regulations G, U and X. Neither the Borrower nor

any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock. None of the Borrower, any of its Subsidiaries, any Affiliate of any of them or any Person acting on their behalf has taken or will take action to cause the execution, delivery or performance of this Agreement, the making or existence of the Loans or the use of proceeds of the Loans to violate Regulations G, U or X of the FRB.

SECTION 4.8. Proceeds. The proceeds of the Loans will be used

for general corporate purposes (including capital contributions to Subsidiaries and acquisitions permitted under Section 6.3). None of such proceeds will be used in violation of applicable law, and none of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any margin stock as defined in Regulation U of the FRB.

SECTION 4.9. Insurance. Schedule 4.9 as revised from time to

time by the Borrower pursuant to Section 5.1(1) sets forth a true and correct summary of all Insurance Policies. No notice of any pending or threatened cancellation or premium increase has been received by the Borrower or its Subsidiaries with respect to any such Insurance Policies. The Borrower and its Subsidiaries are in substantial compliance with all material conditions contained in such Insurance Policies.

SECTION 4.10. Ownership of Properties. On the date of any

Loan, the Borrower and its Subsidiaries will have good title to all of their respective material properties and assets, real and personal, of any nature whatsoever.



SECTION 4.11. Business Locations. Schedule 4.11 as revised

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from time to time by the Borrower pursuant to Section 5.1(1) lists each of the  
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locations where the Borrower maintains an office, a place of business or any  
records.

SECTION 4.12. Accuracy of Information. All factual written

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information furnished heretofore or contemporaneously herewith by or on behalf  
of the Borrower or any of its Subsidiaries to the Administrative Agent or the  
Lenders for purposes of or in connection with this Agreement or any of the  
transactions contemplated hereby, as supplemented to the date hereof, is and all  
other such factual written information hereafter furnished by or on behalf of  
the Borrower or any of its Subsidiaries to the Administrative Agent or the  
Lenders will be, true and accurate in every material respect on the date as of  
which such information is dated or certified and not incomplete by omitting to  
state any material fact necessary to make such information not misleading.

SECTION 4.13. Subsidiaries. Schedule 4.13 as updated from

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time to time pursuant to Section 5.1(1) contains a complete list of the  
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Borrower's Subsidiaries.

SECTION 4.14. Insurance Licenses. Schedule 4.14 as revised

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from time to time by the Borrower pursuant to Section 5.1(1) lists all of the  
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jurisdictions in which any of the Insurance Subsidiaries hold licenses  
(including, without limitation, licenses or certificates of authority from  
applicable insurance departments), permits or authorizations to transact  
insurance and reinsurance business (collectively, the "Licenses"). Except as set  
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forth on Schedule 4.14, to the best of the Borrower's knowledge, no such License  
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is the subject of a proceeding for suspension or revocation or any similar  
proceedings, there is no sustainable basis for such a suspension or revocation,  
and no such suspension or revocation is threatened by the Department. Schedule  
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4.14 as revised from time to time by the Borrower pursuant to Section 5.1(1)  
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indicates the line or lines of insurance which each such Insurance Subsidiary is  
permitted to be engaged in with respect to each License therein listed. The  
Insurance Subsidiaries do not transact any insurance business, directly or  
indirectly, in any jurisdiction other than those enumerated on Schedule 4.14 as  
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revised from time to time by the Borrower pursuant to Section 5.1(1) hereto,  
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where such business requires that any such Insurance Subsidiary obtain any  
license, permit, governmental approval, consent or other authorization.

SECTION 4.15. Taxes. The Borrower and each of its

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Subsidiaries has filed all tax returns that are required to be filed by it, and  
has paid or provided adequate reserves for the payment of all material taxes,  
including, without limitation, all payroll taxes and federal and state  
withholding taxes, and all assessments payable by it that have become due, other  
than (a) those that are not yet delinquent or that are disclosed on

Schedule 4.15 and are being contested in good faith by appropriate proceedings

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and with respect to which reserves have been established, and are being maintained, in accordance with GAAP or (b) those which the failure to file or pay would not have a Material Adverse Effect. Except as set forth in Schedule

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4.15, on the Amendment Effective Date there is no ongoing audit or, to the

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Borrower's knowledge, other governmental investigation of the tax liability of the Borrower or any of its Subsidiaries and there is no unresolved claim by a taxing authority concerning the Borrower's or any such Subsidiary's tax liability, for any period for which returns have been filed or were due. As used in this Section 4.15, the term "taxes" includes all taxes of any nature

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whatsoever and however denominated, including, without limitation, excise, import, governmental fees, duties and all other charges, as well as additions to tax, penalties and interest thereon, imposed by any government or instrumentality, whether federal, state, local, foreign or other.

SECTION 4.16. Securities Laws. Neither the Borrower nor any

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Affiliate, nor anyone acting on behalf of any such Person, has directly or indirectly offered any interest in the Loans or any other Obligation for sale to, or solicited any offer to acquire any such interest from, or has sold any such interest to any Person that would subject the issuance or sale of the Loans or any other liability to registration under the Securities Act of 1933, as amended.

SECTION 4.17. Compliance with Laws. Neither the Borrower nor

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any of its Subsidiaries is in violation of any law, ordinance, rule, regulation, order, policy, guideline or other requirement of any Governmental Authority, if the effect of such violation could reasonably be expected to have a Material Adverse Effect on the Borrower, or on the Borrower and its Subsidiaries taken as a whole and, to the best of the Borrower's knowledge, no such violation has been alleged and each of the Borrower and its Subsidiaries (i) has filed in a timely manner all reports, documents and other materials required to be filed by it with any Governmental Authority, if such failure to so file could reasonably be expected to have a Material Adverse Effect; and the information contained in each of such filings is true, correct and complete in all material respects and (ii) has retained all records and documents required to be retained by it pursuant to any law, ordinance, rule, regulation, order, policy, guideline or other requirement of any Governmental Authority, if the failure to so retain such records and documents could reasonably be expected to have a Material Adverse Effect.

ARTICLE V.

AFFIRMATIVE COVENANTS

Until the Loans and all other Obligations are paid in full, and until the Commitment Termination Date, the Borrower

agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

SECTION 5.1. Reports, Certificates and Other Information. Furnish or cause

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to be furnished to the Administrative Agent and the Lenders:

(a) GAAP Financial Statements:  
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(i) Within 50 days after the close of each of the first three Fiscal Quarters of each Fiscal Year of the Borrower, a copy of the unaudited consolidated balance sheets of the Borrower and its Subsidiaries, as of the close of such quarter and the related consolidated statements of income and cash flows for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter, all prepared in accordance with GAAP (subject to normal year-end adjustments and except that footnote and schedule disclosure may be abbreviated) and accompanied by the certification of the chief executive officer, chief financial officer or treasurer of the Borrower that all such financial statements are complete and correct and present fairly in accordance with GAAP (subject to normal year-end adjustments) the consolidated results of operations and cash flows of the Borrower as at the end of such Fiscal Quarter and for the period then ended.

(ii) Within 95 days after the close of each Fiscal Year, a copy of the annual audited consolidated financial statements of the Borrower and its Subsidiaries, consisting of consolidated balance sheets and consolidated statements of income and retained earnings and cash flows, setting forth in comparative form in each case the consolidated figures for the previous Fiscal Year, which financial statements shall be prepared in accordance with GAAP, certified without material qualification by the independent certified public accountants regularly retained by the Borrower, or any other firm of independent certified public accountants of recognized national standing selected by the Borrower and reasonably acceptable to the Required Lenders that all such financial statements are complete and correct and present fairly in accordance with GAAP the consolidated financial position and the consolidated results of operations and cash flows of the Borrower and its Subsidiaries as at the end of such year and for the period then ended.

(b) Tax Returns. If requested by the Administrative Agent,  
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copies of all federal, state, local and foreign tax returns and reports in respect of income, franchise or other taxes on or measured by income (excluding sales, use or like taxes) filed by the Borrower or any of its Subsidiaries.

(c) SAP Financial Statements. Within (i) 5 days after the date

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filed with the Minister for each of its Fiscal Years, but in any event within 125 days after the end of each Fiscal Year of each Insurance Subsidiary a copy of the Annual Statement of each Insurance Subsidiary for such Fiscal Year and (ii) 5 days after the date filed with any Department for each of its Fiscal Quarters, but in any event within 60 days after the end of each Fiscal Quarter of each Insurance Subsidiary a copy of the Quarterly Statement of each Insurance Subsidiary for such Fiscal Quarter, if any, required by such Department to be filed, each of which statements delivered pursuant to clause (i) or (ii) to be prepared in accordance with SAP and accompanied by the certification of the chief financial officer or chief executive officer of each Insurance Subsidiary that such financial statement is complete and correct and presents fairly in accordance with SAP the financial position of such Insurance Subsidiary for the period then ended.

(d) Notice of Default, etc. Immediately after an Executive

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Officer of the Borrower knows or has reason to know of the existence of any Default, or any development or other information which would have a Material Adverse Effect, telephonic or telegraphic notice specifying the nature of such Default or development or information, including the anticipated effect thereof, which notice shall be promptly confirmed in writing within two (2) Business Days.

(e) Other Information. The following certificates and other

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information related to the Borrower:

(i) Promptly after completion of each such item but in no event later than the fifteenth day of February of each Fiscal Year of the Borrower, a copy of the Borrower's business plan.

(ii) Within five (5) Business Days of receipt, a copy of any financial examination reports by a Governmental Authority with respect to the Insurance Subsidiaries relating to the insurance business of the Insurance Subsidiaries (when, and if, prepared); provided, the Borrower

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shall only be required to deliver any interim report hereunder at such time as Borrower has knowledge that a final report will not be issued and delivered to the Administrative Agent within 90 days of any such interim report.

(iii) Copies of all filings (other than nonmaterial tax filings) with Governmental Authorities by the Borrower or any Subsidiary not later than five (5) Business Days after such filings are made, including, without limitation, filings which seek approval of Governmental Authorities with respect to transactions between the Borrower or such Subsidiary and its Affiliates.

(iv) Within five (5) Business Days of such notice, notice of proposed or actual suspension, termination or revocation of any material License of the Insurance Subsidiaries by any Governmental Authority or of receipt of notice from any Governmental Authority notifying the Borrower of a hearing relating to such a suspension, termination or revocation, including any request by a Governmental Authority which commits the Borrower to take, or refrain from taking, any action or which otherwise materially and adversely affects the authority of the Borrower to conduct its business.

(v) Within five (5) Business Days of such notice, notice of any pending or threatened investigation or regulatory proceeding (other than routine periodic investigations or reviews) by any Governmental Authority concerning the business, practices or operations of the Borrower.

(vi) Simultaneously with delivery of the financial statements provided pursuant to Section 5.1(a)(i), a list of all investments  
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(including, without limitation, Permitted Investments) of the Borrower and its Subsidiaries as of the end of such Fiscal Quarter.

(vii) Promptly, notice of any actual or, to the best of the Borrower's knowledge, proposed material changes in the Insurance Code governing the investment or dividend practices of any Insurance Subsidiary.

(viii) Promptly, such additional financial and other information as the Administrative Agent may from time to time reasonably request.

(f) Compliance Certificates. Concurrently with the delivery to  
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the Administrative Agent of the GAAP financial statements under Sections  
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5.1(a)(i) and 5.1(a)(ii), for each Fiscal Quarter and Fiscal Year of the  
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Borrower, and at any other time no later than thirty (30) Business Days following a written request of the Administrative Agent, a duly completed Compliance Certificate, signed by the chief financial officer or treasurer of the Borrower, containing, among other things, a computation of, and showing compliance with, each of the applicable financial ratios and restrictions contained in Sections 6.1, 6.2 and 6.10, and to the effect that, to the best of  
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such officer's knowledge, as of such date no Default has occurred and is continuing.

(g) Reports to SEC and to Shareholders. Promptly upon the  
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filing or making thereof (i) copies of each filing and report made by the Borrower or any of its Subsidiaries with or to any securities exchange or the Securities and Exchange Commission and (ii) if the Borrower has issued stock in a public offering, of each communication from the Borrower to shareholders generally.

(h) Notice of Litigation, License and ERISA Matters. Promptly

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upon learning of the occurrence of any of the following, written notice thereof, describing the same and the steps being taken by the Borrower with respect thereto: (i) the institution of, or any adverse determination in, any litigation, arbitration proceeding or governmental proceeding (including any Internal Revenue Service or Department of Labor proceeding with respect to any Plan or Welfare Plan) which could, if adversely determined, be reasonably expected to have a Material Adverse Effect and which is not Ordinary Course Litigation, (ii) the failure of any Person in the Controlled Group to make a required contribution to any Plan if such failure is sufficient to give rise to a Lien under section 302(f)(1) of ERISA, (iii) the institution of any steps by any entity in the Controlled Group to withdraw from, or the institution of any steps by the Borrower or any other Person to terminate under a distress termination, any Plan or the taking of any action with respect to a Plan which could result in the requirement that the Borrower or any of its Subsidiaries furnish a bond or other security to such Plan, or the occurrence of any event with respect to any Plan which could result in the incurrence by the Borrower or any of its Subsidiaries of any material liability (other than a liability for contributions or premiums), fine or penalty, (iv) the commencement of any dispute which might lead to the modification, transfer, revocation, suspension or termination of this Agreement or any Loan Document or (v) any event which could be reasonably expected to have a Material Adverse Effect.

(i) Insurance Reports. Within five (5) Business Days of

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receipt of such notice by the Borrower or its Subsidiaries, written notice of any cancellation or material adverse change in any material Insurance Policy carried by the Borrower or any of its Subsidiaries.

(j) List of Directors and Officers and Amendments.

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Concurrently with the delivery of the financial statements required pursuant to Section 5.1(a)(i) and (ii), (x) a list of the Executive Officers and Directors  
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of the Borrower and its Subsidiaries and (y) copies of any amendments to the Organization Documents, Shareholders Agreement or Registration Rights Agreement to the extent such information is not included in the information provided pursuant to Section 5.1(g) and to the extent such information has changed since the last delivery pursuant to this Section.

(k) Formation of Subsidiaries. Promptly upon formation of any

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Subsidiary, written notice of the name, purpose and capitalization of such Subsidiary.

(l) Updated Schedules. From time to time, and in any event

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concurrently with delivery of the financial statements under Section 5.1(a)(i) and (ii), revised Schedules 4.1, 4.5, 4.9, 4.11, 4.13 and 4.14, if applicable,  
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showing changes from the Schedules previously delivered.  
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(m) Other Information. From time to time such other

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information concerning the Borrower or any Subsidiary as the Administrative Agent or any Lender may reasonably request.

SECTION 5.2. Corporate Existence; Foreign Qualification. Do

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and cause to be done at all times all things necessary to (a) maintain and preserve the corporate existence of the Borrower and each Subsidiary of the Borrower (except that inactive Subsidiaries of the Borrower may be merged out of existence or dissolved), (b) be, and ensure that each Subsidiary of the Borrower is, duly qualified to do business and be in good standing as a foreign corporation in each jurisdiction where the nature of its business makes such qualification necessary unless the failure to be so qualified would not have a Material Adverse Effect, and (c) do or cause to be done all things necessary to preserve and keep in full force and effect the Borrower's corporate existence.

SECTION 5.3. Books, Records and Inspections. (a) Maintain, and

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cause each of its Subsidiaries to maintain, materially complete and accurate books and records in accordance with GAAP and SAP, (b) permit, and cause each of its Subsidiaries to permit, access at reasonable times by the Administrative Agent to its books and records, (c) permit, and cause each of its Subsidiaries to permit, the Administrative Agent or its designated representative to inspect at reasonable times its properties and operations, and (d) permit, and cause each of its Subsidiaries to permit, the Administrative Agent to discuss its business, operations and financial condition with its officers and its independent accountants.

SECTION 5.4. Insurance. Maintain, and cause each of its

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Subsidiaries to maintain, Insurance Policies to such extent and against such hazards and liabilities as is required by law or customarily maintained by prudent companies similarly situated.

SECTION 5.5. Taxes and Liabilities. Pay, and cause each of

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its Subsidiaries to pay, when due all material taxes, assessments and other material liabilities except as contested in good faith and by appropriate proceedings with respect to which reserves have been established, and are being maintained, in accordance with GAAP if and so long as such contest could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.6. Employee Benefit Plans. Maintain, and cause each

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of its Subsidiaries to maintain, each Plan and Welfare Plan in compliance in all material respects with all applicable Requirements of Law.

SECTION 5.7. Compliance with Laws. Comply, and cause each of

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its Subsidiaries to comply, (a) with all federal and local laws, rules and regulations related to its businesses (including, without limitation, the establishment of all insurance reserves required to be established under SAP and

applicable laws restricting the investments of the Borrower), and (b) with all Contractual Obligations binding upon such entity, except where failure to so comply would not in the aggregate have a Material Adverse Effect on the Borrower.

SECTION 5.8. Maintenance of Permits. Maintain, and cause each

of its Subsidiaries to maintain, all permits, licenses and consents as may be required for the conduct of its business by any federal or local government agency or instrumentality except where failure to maintain the same could not reasonably be expected to have a Material Adverse Effect.

SECTION 5.9. Investments. Cause the Invested Assets of the

Borrower and its Subsidiaries to be invested at all times so as to be in full compliance with each of the following guidelines:

(i) All Invested Assets of each Insurance Subsidiary shall be in compliance with the applicable Insurance Code; and

(ii) At least 95% of Invested Assets shall constitute Permitted Investments.

Notwithstanding the foregoing, to the extent that non-compliance with this Section 5.9 results from a change in an investment's rating by the National

Association of Insurance Commissioners or a rating agency, no Default shall be deemed to occur as a result thereof so long as such investments constitute less than 10% of the Invested Assets.

SECTION 5.10. Conduct of Business. Engage, and cause each

Subsidiary to engage, primarily in the same business in which the Borrower and its Subsidiaries are engaged on the date hereof (including, without limitation, making no major changes in its business lines, geographic exposures, retention levels or attachment points).

ARTICLE IV.

NEGATIVE COVENANTS

Until the Loans and all other Obligations are paid in full and until the Commitment Termination Date, the Borrower agrees that, unless at any time the Required Lenders shall otherwise expressly consent in writing, it will:

SECTION 6.1. Debt to Capital Ratio. Not permit the Debt to

Capital Ratio to exceed .35:1, except to the extent that Net Worth has declined solely as a result of operating losses or unrealized losses on the Invested Assets in accordance with FAS No. 115, in which case the sole effect of such failure under this Agreement shall be that the Borrower will not, and will not



permit any Subsidiary to, incur any additional Debt until such time as the Borrower is in compliance with this Section 6.1.  
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SECTION 6.2. Net Worth. Not permit Net Worth to be less than  
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125% of Consolidated Debt at any time.

SECTION 6.3. Mergers, Consolidations and Sales. Not, and not  
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permit any of its Subsidiaries to, (a) merge or consolidate, or purchase or otherwise acquire all or substantially all of the assets or stock of any class of, or any partnership or joint venture interest in, any other Person (other than a newly formed Subsidiary or the acquisition of a Subsidiary which complies with clause (b)(ii) of this Section 6.3 or the acquisition of shares of a  
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Subsidiary held by minority shareholders), or (b) sell, transfer, convey or lease all or any substantial part of its assets or sell or assign with or without recourse any receivables, other than any sale, transfer, conveyance or lease in the ordinary course of business except for (i) any such merger or consolidation, sale, transfer, conveyance, lease or assignment of any wholly owned Subsidiary into, with or to any other wholly owned Subsidiary and (ii) purchases or acquisitions which comply with Section 5.10 provided (x) no Default or Event of Default has occurred and is continuing or would result therefrom and (y) the purchase price for any single purchase or acquisition does not exceed 25% of the Net Worth minus all amounts which in accordance with GAAP would be  
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categorized as intangible assets (including goodwill) as of the date of such purchase or acquisition and (z) the aggregate purchase price of all purchases and acquisitions after the Closing Date do not exceed 100% of Net Worth minus  
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all amounts which in accordance with GAAP would be categorized as intangible assets (including goodwill).

SECTION 6.4. Regulations G, U and X. Not, and not permit any  
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of its Subsidiaries to, use or permit any proceeds of the Loans to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying margin stock, as defined in Regulation U of the FRB except as permitted in Section 5.9.  
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SECTION 6.5. Other Agreements. Not, and not permit any of its  
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Subsidiaries to, enter into any agreement containing any provision which would be violated or breached by the performance of obligations hereunder or under any instrument or document delivered or to be delivered by it hereunder or in connection herewith.

SECTION 6.6. Transactions with Affiliates. Not, and not  
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permit any Subsidiary to, enter into, or cause, suffer or permit to exist, directly or indirectly, any arrangement, transaction or contract with any of its Affiliates unless such arrangement, transaction or contract is on an arm's length basis; provided that (a) transactions between the Borrower and any  
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wholly-owned Subsidiary of the Borrower or between any wholly-

owned Subsidiaries of the Borrower, (b) any restructuring of the Borrower's existing capital structure in which only equity securities are issued and (c) any transaction expressly contemplated by the Shareholders Agreement or the Registration Rights Agreement, shall be excluded from the restrictions set forth in this Section 6.6.

SECTION 6.7. Liens. Not, and not permit any of its

Subsidiaries to, create or permit to exist any Lien with respect to any assets now or hereafter existing or acquired, except the following: (i) Liens for current taxes not delinquent or for taxes being contested in good faith and by appropriate proceedings and with respect to which adequate reserves have been established, and are being maintained, in accordance with GAAP, (ii) Liens arising (x) in the ordinary course of business or (y) by operation of law for sums being contested in good faith and by appropriate proceedings and in the case of either clause (x) or (y) with respect to which adequate reserves have

been established, and are being maintained, in accordance with GAAP, or for sums not due, and in either case not involving any deposits or advances for borrowed money or the deferred purchase price of property or services, (iii) Liens in connection with the acquisition of fixed assets after the date hereof and attaching only to the property being acquired, (iv) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits, (v) mechanics', workers', materialmen's and other like Liens arising in the ordinary course of business in respect of obligations which are not delinquent or which are being contested in good faith and by appropriate proceedings and with respect to which adequate reserves have been established, and are being maintained, in accordance with GAAP, (vi) liens on Invested Assets pursuant to trust, letter of credit or other security arrangements in connection with Reinsurance Agreements or Primary Policies and (vii) Liens listed on Schedule

6.7 in effect on the date hereof; provided, however, that, no Lien shall be

permitted to exist on the shares of stock of any Insurance Subsidiary.

SECTION 6.8. Restrictions On Negative Pledge Agreements. Not,

and not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any agreement, other than this Agreement which places any restrictions upon the right of the Borrower or any of its Subsidiaries to sell, pledge or otherwise dispose of any material portion of its properties now owned or thereafter acquired other than as permitted herein, except for such restrictions imposed by (a) federal or state laws upon the right of the Borrower or any of its Subsidiaries to sell, pledge or otherwise dispose of securities owned by it or (b) the Shareholders Agreement, the Registration Rights Agreement or Organization Documents as in effect on the Amendment Effective Date.

SECTION 6.9. No Amendment of Certain Documents. Not enter into

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or permit to exist any amendment, modification or waiver of the Shareholders Agreement, the Registration Rights Agreement or Organization Documents as in effect on the Amendment Effective Date which would (a) create or amend redemption provisions applicable to the Borrower's capital stock which provides for redemption prior to the Commitment Termination Date as such Date may be extended or (b) in any manner be materially adverse to the interests of the Lenders.

SECTION 6.10. Dividends, Etc. Not, and not permit its Subsidiaries to,

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(a) declare or pay any dividends on any of its capital stock (other than pro rata payments of dividends by a Subsidiary to the Borrower and such Subsidiary's other shareholders), (b) purchase or redeem any capital stock of the Borrower or any Subsidiary or any warrants, options or other rights in respect of such stock (other than the pro rata purchase or redemption by a Subsidiary of its capital stock, warrants, options or other rights in respect of such stock), (c) pay interest or principal on any Debt owed to any Founding Shareholder, or (d) set aside funds for any of the foregoing (collectively "Restricted Payments");

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except that (i) the Borrower may declare or pay dividends on any of its Common Shares in an amount not to exceed \$7,000,000 in any Fiscal Quarter provided no Default or Event of Default has occurred and is continuing on the date the Borrower declares such dividend, (ii) the Borrower may declare or pay any Restricted Payment described in clauses (a) or (b) above provided (x) no Default

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or Event of Default has occurred and is continuing on the date of such declaration or payment and (y) except in the case of the purchase of shares of a Subsidiary from minority shareholders of such Subsidiary, after giving effect to such Restricted Payment, the Borrower's Net Worth exceeds \$300,000,000 and (iii) any Insurance Subsidiary may pay any Restricted Payment described in clause (b)

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above on a non prorata basis provided no Default or Event of Default has occurred and is continuing on the date of such payment.

ARTICLE VII.

EVENTS OF DEFAULT AND THEIR EFFECT

SECTION 7.1. Events of Default. Each of the following shall constitute

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an Event of Default under this Agreement:

(a) Non-Payment of Loan. Default in the payment when due of any

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principal on the Loans.

(b) Non-Payment of Interest, Fees, etc. Default, and continuance

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thereof for three (3) Business Days, in the payment when due of interest on the Loans, fees or of any other amount payable hereunder or under the Loan Documents.

(c) Non-Payment of Other Debt. (i) Default in the payment when due

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(subject to any applicable grace period), whether by acceleration or otherwise, of any other Debt of, or guaranteed by, the Borrower or any of its Subsidiaries if the aggregate amount of Debt of the Borrower and/or any of its Subsidiaries which is accelerated or due and payable, or which (subject to any applicable grace period) may be accelerated or otherwise become due and payable, by reason of such default or defaults is \$5,000,000 or more, or (ii) default in the performance or observance of any obligation or condition with respect to any such other Debt of, or guaranteed by, the Borrower and/or any of its Subsidiaries if the effect of such default or defaults is to accelerate the maturity (subject to any applicable grace period) of any such Debt of \$5,000,000 or more in the aggregate or to permit the holder or holders of such Debt of \$5,000,000 or more in the aggregate, or any trustee or agent for such holders, to cause such Debt to become due and payable prior to its expressed maturity.

(d) Other Material Obligations. Except for obligations covered

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under other provisions of this Article VII, default in the payment when due, or  
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in the performance or observance of, any material obligation of, or material condition agreed to by, the Borrower or any of its Subsidiaries with respect to any material purchase or lease obligation (unless the existence of any such default is being contested by the Borrower in good faith and by appropriate proceedings and the Borrower has established, and is maintaining, adequate reserves therefor in accordance with GAAP) which default continues for a period of 30 days.

(e) Bankruptcy, Insolvency, etc. (i) The Borrower or any Insurance

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Subsidiary becomes insolvent or generally fails to pay, or admits in writing its inability to pay, debts as they become due; (ii) there shall be commenced by or against the Borrower or any Insurance Subsidiary any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, supervision, conservatorship, liquidation, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, rehabilitation, conservation, supervision, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, obligations or liabilities, or (B) seeking appointment of a receiver, trustee, custodian, rehabilitator, conservator, supervisor, liquidator or other similar official for it or for all or any substantial part of its assets, in each case which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) if filed against such Person, remains undismissed, undischarged or unstayed for a period of 60 days; or (iii) there shall be commenced against any of such Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment,

execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any of such Persons shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause(ii) or (iii) above; or (v)

any Governmental Authority shall issue any order of conservation, supervision or any other order of like effect relating to any of such Persons.

(f) Non-compliance With Certain Financial Covenants. Failure by the

Borrower to comply with its covenants set forth in Section 6.2 and continuance

of such failure for thirty days after the date the Borrower became aware of such non-compliance unless (a) such failure is cured by a capital contribution or a permanent reduction of Debt made during such thirty days, and (b) if the Borrower's capital has fallen below that required under any Requirement of Law (x) during such cure period no Governmental Authority places restrictions on the Borrower or any Insurance Subsidiary or requires the Borrower or any Insurance Subsidiary to take any action beyond the normal reporting requirements and (y) after such cure the Borrower and its Insurance Subsidiaries are in compliance with all Requirements of Law.

(g) Non-compliance With Other Financial Conditions. Failure by the

Borrower to comply with its covenants set forth in Section 6.1, 6.8, 6.9, or

6.10.

(h) Non-compliance With Other Provisions. Failure by the Borrower to

comply with or to perform any provision of this Agreement or the other Loan Documents (and not constituting an Event of Default under any of the other provisions of this Article VII) and continuance of such failure for 30 days

after notice thereof from the Administrative Agent to the Borrower.

(i) Warranties and Representations. Any warranty or representation

made by or on behalf of the Borrower or any Subsidiary herein is inaccurate or incorrect or is breached or false or misleading in any material respect as of the date such warranty or representation is made; or any schedule, certificate, financial statement, report, notice, or other instrument furnished by or on behalf of Borrower or any Subsidiary to the Administrative Agent or the Lenders is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified.

(j) Employee Benefit Plans. A contribution failure occurs with

respect to any Plan sufficient to give rise to a Lien against the Borrower or any of its Subsidiaries under section 302(f)(1) of ERISA (as in effect on the Closing Date); or withdrawal by one or more companies in the Controlled Group from one or more Multiemployer Plans to which it or they have an

obligation to contribute and the withdrawal liability (without unaccrued interest) to multiemployer plans as a result of such withdrawal or withdrawals (including any outstanding withdrawal liability that the Controlled Group has incurred on the date of such withdrawal) is material.

(k) Loan Documents. Any action shall be taken by or on behalf of the

Borrower or any Affiliate thereof to discontinue any of the Loan Documents or to contest the validity, binding nature or enforceability of any thereof.

(l) Change in Control. A Change in Control occurs.

(m) Judgments. A final judgment or judgments which exceed an

aggregate of \$5,000,000 (excluding any portion thereof which is covered by insurance so long as the insurer is reasonably likely to be able to pay and has accepted a tender of defense and indemnification without reservation of rights) shall be rendered against the Borrower or any Subsidiary and shall not have been discharged or vacated or had execution thereof stayed pending appeal within 60 days after entry or filing of such judgment(s).

(n) Change in Law. Any change is made in the Insurance Code which

affects the dividend practices of any Insurance Subsidiary and which is reasonably likely to have a Material Adverse Effect on the ability of the Borrower to perform its obligations under the Agreement and such circumstances shall continue for 120 days.

SECTION 7.2. Effect of Event of Default. If any Event of Default

described in Section 7.1(e) shall occur, the Loans and all other Obligations

shall become immediately due and payable, all without notice of any kind; and, in the case of any other Event of Default, the Administrative Agent may, and upon the written request of the Required Lenders shall, terminate the Commitments hereunder and declare all or any portion of the Loans and all other Obligations to be due and payable, whereupon the Commitments shall terminate and all or such portion of the Loans and all other Obligations shall become immediately due and payable, all without further notice of any kind. The Administrative Agent shall promptly advise the Borrower of any such declaration but failure to do so shall not impair the effect of such declaration. Notwithstanding the foregoing, the effect as an Event of Default of any event described in Section 7.1(a) may not be waived except by consent of all of the

Lenders and acknowledged by the Administrative Agent in writing.

ARTICLE VIII.

CONDITIONS

SECTION 8.1. Conditions to Occurrence of the Amendment Effective Date.

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The occurrence of the Amendment Effective Date shall be subject to receipt by the Administrative Agent of all of the following, each duly executed and dated the Amendment Effective Date (or such earlier date as shall be satisfactory to the Administrative Agent), each in form and substance satisfactory to the Administrative Agent (with sufficient copies for each Lender):

(a) This Agreement and Certain Related Documents. This Agreement and

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such other Loan Documents as are required to be delivered by the terms of this Agreement.

(b) Resolutions. Certified copies of resolutions of the Board

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of Directors of the Borrower authorizing the execution, delivery and performance, respectively, of those documents and matters required of it with respect to this Agreement or the other Loan Documents.

(c) Incumbency and Signatures. A certificate of an Authorized

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Officer certifying the names of the individual or individuals authorized to sign this Agreement and the other Loan Documents, together with a sample of the true signature of each such individual. (The Lenders may conclusively rely on each such certificate until formally advised by a like certificate of any changes therein.)

(d) Opinion of Counsel. The opinions of counsel of the Borrower,

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addressed to the Administrative Agent and the Lenders, in the form of Exhibit D.

(e) Organization Documents, etc. A Certificate of an Authorized

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Officer certifying true and correct copies of the Organization Documents, the Shareholders Agreement and the Registration Rights Agreement.

(f) Insurance Proceedings. Certificate of an Authorized Officer that

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there are no material insurance regulatory proceedings pending or threatened against the Borrower or any Insurance Subsidiary in any jurisdiction.

(g) Material Adverse Change Certificate. An officer's certificate,

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signed by an Authorized Officer, certifying that to such officer's best knowledge, since December 31, 1995, no event has occurred which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(h) Other. Such other documents as the Administrative Agent may

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reasonably request.

SECTION 8.2. Conditions to All Borrowings. The obligation of the

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Lenders to make all Loans shall be subject to the prior or concurrent satisfaction (in form and substance satisfactory to the Administrative Agent) of each of the conditions precedent set forth below:

(a) No Default. No Default shall have occurred and be continuing or

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will result from the making of the Loans and no Default shall have occurred and be continuing under the Loan Documents or will result from the making of the Loans.

(b) Warranties and Representations. (i) All warranties and

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representations contained in this Agreement (other than Section 4.4 except in the case of the initial Borrowing) shall be true and correct in all material respects as of the date of any Loan, with the same effect as though made on the date of and concurrently with the making of such Loan (except where such representation speaks as of specified date) (ii) all covenants contained herein and in such documents to be performed by each of the parties thereto (other than the Administrative Agent or the Lenders) prior to the date of any Loan shall have been performed and (iii) Net Worth shall equal at least \$200,000,000.

(c) Litigation. (i) No litigation (including, without limitation,

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derivative actions), arbitration, governmental investigation or proceeding or inquiry shall be, on the date of any Loan, pending, or to the knowledge of the Borrower, threatened which seeks to enjoin or otherwise prevent the consummation of, or to recover any damages or to obtain material relief as a result of, the transactions contemplated hereunder or, in the reasonable opinion of the Required Lenders, could be reasonably expected to be materially adverse to any of the parties to this Agreement and which is not Ordinary Course Litigation, and (ii) in the reasonable opinion of the Required Lenders, no material adverse development shall have occurred in any litigation (including, without limitation, derivative actions), arbitration, government investigation or proceeding or inquiry disclosed in Schedule 4.4 which is likely to have a

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Material Adverse Effect.

(d) Fees. The fees referred to in Section 2.8 which are due and

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payable on or prior to the Amendment Effective Date or the date of any Loan shall have been paid to the Administrative Agent, where applicable, for the benefit of the Lenders.

(e) Borrowing Request. The Administrative Agent shall have received a

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Borrowing Request in form and substance acceptable to the Administrative Agent.



ARTICLE IX.

THE ADMINISTRATIVE AGENT

SECTION 9.1. Appointment and Authorization. Each Lender hereby

irrevocably (subject to Section 9.9) appoints, designates and authorizes the

Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

SECTION 9.2. Delegation of Duties. The Administrative Agent may execute

any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

SECTION 9.3. Liability of Administrative Agent. None of the

Agent-Related Persons shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by the Borrower or any Subsidiary or Affiliate of the Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any of the Borrower's Subsidiaries or Affiliates.

SECTION 9.4. Reliance by Administrative Agent. (a) The Administrative

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Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 8.1, each Lender that has executed this Agreement shall be

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deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender.

SECTION 9.5. Notice of Default. The Administrative Agent shall not be

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deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Article VII; provided, however, that unless and until the Administrative Agent

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has received any such request, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Lenders.

SECTION 9.6. Credit Decision. Each Lender acknowledges that none of the

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Agent-Related Persons has made any representation or warranty to it, and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Administrative Agent, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower which may come into the possession of any of the Agent-Related Persons.

SECTION 9.7. Indemnification. Whether or not the transactions

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contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower to do so), pro rata, from and against any and all Indemnified Liabilities; provided, however,

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that no Lender shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section shall survive the

payment of all Obligations hereunder and the resignation or replacement of the Administrative Agent.

SECTION 9.8. Administrative Agent in Individual Capacity. BofA and its

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Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Subsidiaries and Affiliates as though BofA were not the Administrative Agent hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Subsidiary) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, BofA shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" include BofA in its individual capacity.

SECTION 9.9. Successor Administrative Agent. The Administrative Agent

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may, and at the request of the Required Lenders shall, resign as Administrative Agent upon 30 days' notice to the Lenders. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders which successor agent shall be approved by the Borrower. If no successor agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor agent from among the Lenders. Upon the acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article IX and Sections 10.4 and

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10.5 shall inure to its benefit as to any actions taken or omitted to be taken  
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by it while it was Administrative Agent under this Agreement. If no successor agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

SECTION 9.10. Withholding Tax. (a) If any Lender (other than a Lender

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located in Bermuda) is a "foreign

corporation, partnership or trust" within the meaning of the Code and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the Code, such Lender agrees with and in favor of the Administrative Agent, to deliver to the Administrative Agent and the Borrower:

(i) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed IRS Forms 1001 and W-8 before the payment of any interest in the first calendar year and before the payment of any interest in each third succeeding calendar year during which interest may be paid under this Agreement;

(ii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form 4224 before the payment of any interest is due in the first taxable year of such Lender and in each succeeding taxable year of such Lender during which interest may be paid under this Agreement, and IRS Form W-9; and

(iii) such other form or forms as may be required under the Code or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Lender agrees to promptly notify the Administrative Agent and the Borrower of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Lender, such Lender agrees to notify the Administrative Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrower to such Lender. To the extent of such percentage amount, the Administrative Agent will treat such Lender's IRS Form 1001 as no longer valid.

(c) If any Lender claiming exemption from United States withholding tax by filing IRS Form 4224 with the Administrative Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Lender, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Administrative Agent may withhold

from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Lenders under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Administrative Agent.

SECTION 9.11. Co-Agents. None of the Lenders identified on the facing

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page or signature pages of this Agreement as a "co-agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders so identified as a "co-agent" shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE X.

MISCELLANEOUS

SECTION 10.1. Amendments and Waivers. No amendment or waiver of any

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provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Borrower therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by the Administrative Agent at the written request of the Required Lenders) and the Borrower and acknowledged by the Administrative Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders

and the Borrower and acknowledged by the Administrative Agent, do any of the following:

(a) increase or extend the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 7.2);  
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(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to clause (ii) below) any fees or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Lenders or any of them to take any action hereunder; or

(e) amend this Section, or Section 2.12, or any provision herein providing for consent or other action by all Lenders;

and, provided further, that no amendment, waiver or consent shall, unless in  
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writing and signed by the Administrative Agent in addition to the Required Lenders or all the Lenders, as the case may be, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document.

SECTION 10.2. Notices. (a) All notices, requests and other  
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communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission, provided that any matter transmitted by the Borrower by facsimile (i) shall be immediately confirmed by a telephone call to the recipient at the number specified on Schedule 10.2, and  
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(ii) except in the case of Notices of Borrowing and Notices of Conversions/Continuation, shall be followed promptly by delivery of a hard copy original thereof) and mailed, faxed or delivered, to the address or facsimile number specified for notices on Schedule 10.2; or, as directed to the Borrower  
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or the Administrative Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or, if delivered, upon delivery, except that notices pursuant to Article II or IX shall not be effective until actually received by  
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the Administrative Agent.

(c) Any agreement of the Administrative Agent and the Lenders herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent and the Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans shall not be affected in any way or to any extent by any failure by the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in the telephonic or facsimile notice.

SECTION 10.3. No Waiver; Cumulative Remedies. No failure to

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exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

SECTION 10.4. Costs and Expenses. The Borrower shall:

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(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse BofA (including in its capacity as Administrative Agent) within ten Business Days after demand for all costs and expenses incurred by BofA (including in its capacity as Administrative Agent) in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable Attorney Costs incurred by BofA (including in its capacity as Administrative Agent) with respect thereto; and

(b) pay or reimburse the Administrative Agent and each Lender within ten Business Days after demand for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).



SECTION 10.5. Indemnity. Whether or not the transactions

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contemplated hereby are consummated, the Borrower shall indemnify and hold the Agent-Related Persons, and each Lender and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities,

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obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans and the termination, resignation or replacement of the Administrative Agent or replacement of any Lender) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified

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Liabilities"); provided, that the Borrower shall have no obligation hereunder to

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any Indemnified Person with respect to Indemnified Liabilities resulting solely from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

SECTION 10.6. Payments Set Aside. To the extent that the

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Borrower makes a payment to the Administrative Agent or the Lenders, or the Administrative Agent or the Lenders exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its pro rata share of any amount so recovered from or repaid by the Administrative Agent.

SECTION 10.7. Successors and Assigns. The provisions of this

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Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Lender.

SECTION 10.8. Assignments, Participations, etc. (a) Any Lender

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may, with the written consent of the Borrower (at all times other than during the existence of an Event of Default) and the Administrative Agent, which consents shall not be unreasonably withheld, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Borrower or the Administrative Agent shall be required in connection with any assignment and delegation by a Lender to an Eligible Assignee that is an Affiliate of such Lender) (each an "Assignee") all, or any ratable part of all, of the Loans, the

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Commitments and the other rights and obligations of such Lender hereunder, provided, however, that (x) the aggregate principal amount of the Commitment

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assigned by any Lender to someone other than another Lender shall be in a minimum amount of \$5,000,000 (or if less, the entire Commitment then held by such Lender) and (y) after giving effect to any such assignment by a Lender, the aggregate amount of the Commitments and/or Loans held by such assigning Lender is at least \$5,000,000 (unless such Lender has assigned the entire Commitment and Loans then held by it). The Borrower and the Administrative Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Borrower and the Administrative Agent by such Lender and the Assignee; (ii) such Lender and its Assignee shall have delivered to the Borrower and the Administrative Agent an Assignment and Acceptance in the form of Exhibit E ("Assignment and Acceptance")

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and (iii) the assignor Lender or Assignee has paid to the Administrative Agent a processing fee in the amount of \$3,000.

(b) From and after the date that the Administrative Agent notifies the assignor Lender that it has received (and provided its consent with respect to) an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender pro tanto.

(d) Any Lender may at any time sell to one or more commercial banks or other Persons not Affiliates of the Borrower (a "Participant")

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participating interests in any Loans, the Commitment of that Lender and the other interests of that Lender (the "originating Lender") hereunder and under

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the other Loan Documents; provided, however, that (i) the originating Lender's

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obligations under this Agreement shall remain unchanged, (ii) the originating Lender shall remain solely responsible for the performance of such obligations, (iii) the Borrower and the Administrative Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Lender shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Lenders as described in the first proviso to Section 10.1. In the

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case of any such participation, the Participant shall be entitled to the benefit of Sections 3.1, 3.3 and 10.5 to the extent the Lender selling such

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participation would be so entitled as though it were also a Lender hereunder, and if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement.

(e) Notwithstanding any other provision in this Agreement, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and any Note held by it in favor of any Federal Reserve Lender in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 CFR (S).203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

SECTION 10.9. Confidentiality. Each Lender agrees to take and

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to cause its Affiliates to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Borrower and provided to it by the Borrower or any Subsidiary, or by the Administrative Agent on such Borrower's or Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents or in connection with other business now or hereafter existing or contemplated with the Borrower or any Subsidiary; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Lender, or (ii) was

or becomes available on a non-confidential basis from a source other than the Borrower, provided that such source is not bound by a confidentiality agreement with the Borrower known to the Lender; provided, however, that any Lender may

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disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Lender is subject or in connection with an examination of such Lender by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Administrative Agent, any Lender or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Lender's independent auditors and other professional advisors; (G) to any Participant or Assignee, actual or potential, provided that such Person agrees in writing to keep such information confidential to the same extent required of the Lenders hereunder; (H) as to any Lender or its Affiliate, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Borrower or any Subsidiary is party or is deemed party with such Lender or such Affiliate; and (I) to its Affiliates which are either such Lender's parent or it or its parent's wholly owned Subsidiary or, with the prior written consent of the Borrower which shall not be unreasonably withheld, its other Affiliates.

SECTION 10.10. Set-off. In addition to any rights and remedies

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of the Lenders provided by law, if an Event of Default exists or the Loans have been accelerated, each Lender is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit or the account of the Borrower against any and all Obligations owing to such Lender, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the

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validity of such set-off and application.

SECTION 10.11. Notification of Addresses, Lending Offices,

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Etc. Each Lender shall notify the Administrative Agent in writing of any changes

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in the address to which notices to the Lender should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as the Administrative Agent shall reasonably request.

SECTION 10.12. Counterparts. This Agreement may be executed in

any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

SECTION 10.13. Severability. The illegality or

unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

SECTION 10.14. No Third Parties Benefited. This Agreement is

made and entered into for the sole protection and legal benefit of the Borrower, the Lenders, the Administrative Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

SECTION 10.15. Governing Law and Jurisdiction. (a) THIS

AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF ILLINOIS; PROVIDED THAT THE ADMINISTRATIVE AGENT AND THE LENDERS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF ILLINOIS OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF ILLINOIS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE

BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS AND IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID OR BY ANY OTHER MEANS PERMITTED BY ILLINOIS OR FEDERAL LAW.

SECTION 10.16. Waiver of Jury Trial. THE BORROWER, THE LENDERS

AND THE ADMINISTRATIVE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH

RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE BORROWER, THE LENDERS AND THE ADMINISTRATIVE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 10.17. Currency Indemnity. If, for the purposes of

obtaining judgment in any court in any jurisdiction with respect to any Loan Document, it becomes necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due under any Loan Document in any currency

other than the Judgment Currency (the "Currency Due"), then conversion shall be

made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, "rate of exchange" means the rate at which the Administrative Agent is able, on the relevant date, to purchase the Currency Due with the Judgment Currency in accordance with its normal practice at its main branch in San Francisco, California. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, the Borrower will, on the day of payment, pay such additional amount, if any, or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount paid on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under any Loan Document in the Currency Due. If the amount of the Currency Due which the Administrative Agent is so able to purchase is less than the amount of the Currency Due originally due to it, the Borrower shall indemnify and save the Administrative Agent harmless from and against loss or damage arising as a result of such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in any Loan Document, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by the Administrative Agent from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under any Loan Document or under any judgment or order.

SECTION 10.18. Entire Agreement. This Agreement, together with

the other Loan Documents, embodies the entire agreement and understanding among the Borrower, the Lenders and the Administrative Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons,

verbal or written, relating to the subject matter hereof and thereof.

RENAISSANCERE HOLDINGS LTD.

By: -----

Title: -----

S-1



BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION, as  
Administrative Agent

By: -----

Title: -----

BANK OF AMERICA ILLINOIS

By: -----

Title: -----

FLEET NATIONAL BANK, as Co-Agent  
and as Lender

By: \_\_\_\_\_

Title: \_\_\_\_\_

MELLON BANK, N.A., as Co-Agent and  
as Lender

By: \_\_\_\_\_

Title: \_\_\_\_\_

S-5

BANK OF MONTREAL

By: -----

Title: -----

S-6

DEUTSCHE BANK AG, New York  
and/or Cayman Islands Branch

By: -----

Title: -----

S-7

By: -----

Title: -----

THE BANK OF N.T. BUTTERFIELD & SON  
LIMITED

By: -----

Title: -----



SCHEDULE 1.2

Pricing Grid

	Pricing Level I	Pricing Level II	Pricing Level III	Pricing Level IV	Pricing Level V
S & P Claims Rating	BBB+ or below	A-	A	A+	AA- or above
Offshore Rate	0.500%	0.400%	0.350%	0.300%	0.250%
Non-Use Fee Rate	0.200%	0.170%	0.150%	0.125%	0.100%

SCHEDULE 2.1

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COMMITMENTS

Lender	Commitment Amount	Pro Rata Share
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Bank of America Illinois	\$ 40,000,000	20.000000000%
Fleet National Bank	\$ 40,000,000	20.000000000%
Mellon Bank, N.A.	\$ 40,000,000	20.000000000%
Bank of Montreal	\$ 30,000,000	15.000000000%
Deutsche Bank	\$ 20,000,000	10.000000000%
Bank of Bermuda	\$ 17,000,000	8.500000000%
The Bank of N.T.	\$ 10,000,000	6.500000000%
Butterfield & Son Limited	\$200,000,000.00	100.000000000%

SCHEDULE 4.1  
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RenaissanceRe Holdings Ltd.  
Renaissance Reinsurance Ltd.  
Glencoe Insurance Ltd.

Bermuda  
Bermuda  
Bermuda

SCHEDULE 4.2(a)

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None

SCHEDULE 4.2(b)

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None

SCHEDULE 4.4

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None

SCHEDULE 4.5

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Renaissance Reinsurance Ltd. Retirement Plan

SCHEDULE 4.9

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- - Directors' & Officers' Liability	- Limit	\$30,000,000 aggregate
	Premium	\$ 550,000 (2 years)
- - Employers Liability	- Limit	\$ 1,069,000
	Premium	\$ 267
- - Public Liability	- Limit	\$ 1,000,000
	Premium	\$ 500
- - Electronic Equipment Ins.	- Limit	\$ 402,571
	Premium	\$ 2,415
- - Fire & Perils	- Limit	\$ 261,495
	Premium	\$ 1,289



SCHEDULE 4.11

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Renaissance House  
8-12 East Broadway  
P.O. Box HM 2527  
Hamilton HM GX

SCHEDULE 4.13

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Renaissance Reinsurance Ltd.

Glencoe Insurance Ltd.

SCHEDULE 4.14

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Bermuda licence for General Business Insurance

SCHEDULE 4.15

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None

SCHEDULE 6.7  
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Lien on a segregated portion of Renaissance Reinsurance Ltd.'s Invested Assets for the benefit of Banks issuing Letters of Credit to Renaissance Reinsurance Ltd.'s clients under Reinsurance Policies.

SCHEDULE 10.2

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ADDRESSES

OFFSHORE AND DOMESTIC LENDING OFFICES,  
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ADDRESSES FOR NOTICES  
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BANK OF AMERICA NATIONAL TRUST  
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AND SAVINGS ASSOCIATION,  
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as Administrative Agent

Bank of America National Trust  
and Savings Association  
231 S. La Salle Street  
Chicago, IL 60697  
Attention: Dawn Lenza  
Telephone: (312) 828-4184  
Facsimile: (312) 987-0889

BANK OF AMERICA ILLINOIS  
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Domestic and Offshore Lending Office:

231 South LaSalle Street  
Chicago, Illinois 60697

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Bank of America Illinois  
231 South LaSalle Street  
Chicago, Illinois 60697  
Attention: Nita Savage  
Telephone: (312) 828-4854  
Facsimile: (312) 987-0889

FLEET NATIONAL BANK  
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Domestic and Offshore Lending Office:

777 Main Street, MSN 250  
25th Floor  
Hartford, Connecticut 06115

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Fleet National Bank

777 Main Street, MSN 250  
Hartford, Connecticut 06115  
Attention: Tom McKinlay  
Telephone: (860) 986-4139  
Facsimile: (860) 986-1264

MELLON BANK, N.A.  
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Domestic and Offshore Lending Office:

One Mellon Bank Center  
#350  
Pittsburgh, Pennsylvania 15258

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

Mellon Bank, N.A.  
One Mellon Bank Center  
#350  
Pittsburgh, Pennsylvania 15258  
Attention: Bob Brandenstein  
Telephone: (412) 234-1158  
Facsimile: (412) 234-8087

THE BANK OF N.T. BUTTERFIELD & SON LIMITED  
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Domestic and Off-Shore Lending Office:

65 Front Street  
Hamilton HM AX, Bermuda

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

The Bank of N.T. Butterfield & Son Limited  
65 Front Street  
Hamilton HM AX, Bermuda  
Attention: Stuart Lee  
Telephone: (441) 299-3453  
Facsimile: (441) 299-9148

BANK OF MONTREAL  
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Domestic and Offshore Lending Office:

115 South LaSalle Street  
Chicago, Illinois 60603

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

115 South LaSalle Street  
Chicago, Illinois 60603  
Attention: Bruce Cox  
Telephone: (312) 750-3891  
Facsimile: (312) 750-4352

DEUTSCHE BANK AG, New York and/or Cayman Island Branch  
- - - - -

Domestic and Off-Shore Lending Office:

31 West 52 Street  
New York, New York 10019

Notices (other than Borrowing Notices and Notice of Conversion/Continuation):

31 West 52 Street  
New York, New York 10019  
Attention: Clinton M. Johnson  
Telephone: (212) 469-8108

BANK OF BERMUDA  
- - - - -

Domestic and Offshore Lending Office:

Notices (other than Borrowing Notices and Notices of Conversion/Continuation):

RENAISSANCERE HOLDINGS LTD.  
- - - - -

Notices:

RenaissanceRe Holdings Ltd.  
Renaissance House  
8-12 East Broadway  
Pembroke HM 19, Bermuda  
Attention: Keith Hynes  
Telephone: (441) 295-4513  
Facsimile: (441) 292-9453



EXHIBIT A

NOTICE OF BORROWING

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Date: \_\_\_\_\_, 199

To: Bank of America National Trust and Savings Association as Administrative Agent for the Lenders parties to the Third Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among RenaissanceRe

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Holdings Ltd., certain Lenders which are signatories thereto, Fleet National Bank and Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association, as Administrative Agent

Ladies and Gentlemen:

The undersigned, RenaissanceRe Holdings Ltd.(the "Borrower"), refers to the

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Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.4 of the Credit Agreement, of the Borrowing specified below:

1. The Business Day of the proposed Borrowing is \_\_\_\_\_, 19\_\_.
2. The aggregate amount of the proposed Borrowing is \$\_\_\_\_\_.
3. The Borrowing is to be comprised of \$\_\_\_\_\_ of [Base Rate] [Offshore Rate] Loans.
4. The duration of the Interest Period for the Offshore Rate Loans included in the Borrowing shall be [\_\_\_\_ months].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Borrower contained in Article IV of the Credit Agreement (other than Section 4.4 except in the case of the initial Borrowing) are true and correct as though made on and as of such date (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date);

(b) no Default or Event of Default has occurred and is continuing, or would result from such proposed Borrowing; and

(c) The proposed Borrowing will not cause the aggregate principal amount of all outstanding Loans to exceed the combined Commitments of the Lenders.

RenaissanceRe Holdings, Ltd.

By: .....

Title: .....

EXHIBIT B

NOTICE OF CONVERSION/CONTINUATION

Date: \_\_\_\_\_, 199

To: Bank of America National Trust and Savings Association, as Administrative Agent for the Lenders parties to the Third Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among RenaissanceRe

Holdings, Ltd., certain Lenders which are signatories thereto, Fleet National Bank and Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association, as Administrative Agent

Ladies and Gentlemen:

The undersigned, RenaissanceRe Holdings, Ltd. (the "Borrower"), refers to

the Credit Agreement, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 2.5 of the Credit Agreement, of the [conversion] [continuation] of the Loans specified herein, that:

1. The Conversion/Continuation Date is \_\_\_\_\_, 19\_\_.

2. The aggregate amount of the Loans to be [converted] [continued] is \$\_\_\_\_\_.

3. The Loans are to be [converted into] [continued as] [Offshore Rate] [Base Rate] Loans.

4. [If applicable:] The duration of the Interest Period for the Loans included in the [conversion] [continuation] shall be [\_\_\_\_ days] [\_\_\_\_ months].

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the proposed Conversion/Continuation Date, before and after giving effect thereto and to the application of the proceeds therefrom:

(a) the representations and warranties of the Borrower contained in Article IV of the Credit Agreement (other than Section 4.4 except in the case of the initial Borrowing) are true and correct as though made on and as of such date (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date);

(b) no Default or Event of Default has occurred and is continuing, or would result from such proposed [conversion] [continuation]; and

(c) the proposed [conversion][continuation] will not cause the aggregate principal amount of all outstanding Loans to exceed the combined Commitments of the Lenders.

RenaissanceRe Holdings, Ltd.

By: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT C

RenaissanceRe Holdings Ltd.  
COMPLIANCE CERTIFICATE

Financial  
Statement Date: \_\_\_\_\_, 199

Reference is made to that certain Third Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 (as extended, renewed, amended or restated from time to time, the "Credit Agreement") among RenaissanceRe Holdings

Ltd., a Bermuda company (the "Borrower"), the several financial institutions

from time to time parties to this Credit Agreement (the "Lenders"), Fleet

National Bank and Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association, as agent for the Lenders (in such capacity, the "Administrative Agent"). Unless otherwise defined herein, capitalized terms used

herein have the respective meanings assigned to them in the Credit Agreement.

The undersigned hereby certifies as of the date hereof that he/she is the [chief executive officer] [chief financial officer] [treasurer] of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Lenders and the Administrative Agent on the behalf of the Borrower and its consolidated Subsidiaries, and that:

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by Section 5.1(a)(ii) of the Credit Agreement.]

1. Attached as Schedule 1 hereto are (a) a true and correct copy of the

audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of the Fiscal Year ended \_\_\_\_\_, 199 and (b) the related consolidated statements of income and retained earnings and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of \_\_\_\_\_ which report states that such consolidated financial statements are complete and correct and have been prepared in accordance with GAAP, and fairly present, in all material respects, the financial position of the Borrower and its consolidated Subsidiaries for the periods indicated and on a basis consistent with prior periods.

or

[Use the following paragraph if this Certificate is delivered in connection with the financial statements required by subsection [5.1(a)(i)] of the Credit Agreement.]

1. Attached as Schedule 1 hereto are (a) a true and correct copy of the

unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as of the end of the

Fiscal Quarter ended \_\_\_\_\_, 199\_, and (b) the related unaudited consolidated statements of income, shareholders' equity, and cash flows for the period commencing on the first day and ending on the last day of such quarter, and certified by [the chief financial officer] [treasurer] that such financial statements were prepared in accordance with GAAP (subject only to ordinary, good faith year-end audit adjustments and the absence of footnotes) and fairly present, in all material respects, the financial position and the results of operations of the Borrower and its consolidated Subsidiaries.

2. The undersigned has reviewed and is familiar with the terms of the Credit Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and conditions (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

3. To the best of the undersigned's knowledge, the Borrower, during such period, has observed, performed or satisfied all of its covenants and other agreements, and satisfied every condition in the Credit Agreement to be observed, performed or satisfied by the Borrower, and the undersigned has no knowledge of any Default or Event of Default.

4. The following financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this  
- -----  
Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of \_\_\_\_\_, 199\_ .

RenaissanceRe Holdings Ltd.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Schedule 2

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I. Section 6.1 - Debt to Capital Ratio.

A.	Consolidated Debt	\$	-----
B.	Net Worth	\$	-----
C.	Items A plus B	\$	-----
D.	Ratio of Item A to Item C		:1

[If Item D exceeds .35:1 a separate Schedule must be attached setting forth the extent to which Net Worth has declined from the previous Calculation Date due solely to operating losses or unrealized losses on the investment portfolio in accordance with FASB 115.]

II. Section 6.2 - Net Worth.

A.	Net Worth (Item I.B.)	\$	-----
B.	Consolidated Debt	\$	-----
C.	Required Amount (125% of Item B)	\$	-----

III. Section 6.13 - Dividends Paid.

A.	Net Worth (Item I.B.) (must exceed \$300,000,000)	\$	-----
B.	Dividends paid or capital returned since last Compliance Certificate	\$	-----

IV. Section 5.9 - Investments.

A.	Total Investments	\$	-----
B.	Permitted Investments	\$	-----
C.	Item B divided by Item A	%	-----
D.	Required Percentage	95%	-----

[If Item C is less than 95%, complete Items E-G]

E.	Investments which ceased to be Permitted Investments due to change in ratings or notice from Administrative Agent or Required Lenders	90%	-----
F.	Item B plus Item E	\$	-----

G.	Item F divided by Item A	% -----
H.	Required Percentage	90% -----

The undersigned officer further certifies that, to the best of his/her knowledge, no Default had occurred and was continuing as of the Calculation Date.

RENAISSANCERE HOLDINGS LTD.

By \_\_\_\_\_  
 Title \_\_\_\_\_



EXHIBIT D

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FORM OF OPINION OF BORROWER'S COUNSEL

\_\_\_\_\_, 1996

To: Bank of America National Trust and Savings Association, as  
Administrative Agent, and  
the Lenders referred to below  
231 S. La Salle Street  
Chicago, IL 60697

Re: RenaissanceRe Holdings Ltd.  
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Ladies and Gentlemen:

We have acted as Counsel to RenaissanceRe Holdings Ltd., a Bermuda company (the "Borrower") in connection with that certain Third Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 (the "Credit Agreement") among the Borrower, various financial institutions which are, or may become, parties thereto (the "Lenders"), Fleet National Bank and Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association, Administrative Agent for the Lenders (the "Administrative Agent").

This opinion is delivered to you pursuant to Section 8.1(d) of the  
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Credit Agreement. Capitalized terms not otherwise defined herein shall have the definitions assigned to such terms in the Credit Agreement, unless the context otherwise requires.

We have examined such matters of law and such certificates, documents and records of public officials and of officers of the Borrower and its Subsidiaries as we have deemed necessary for purposes of this opinion, including, but not limited to, the Credit Agreement and the other Loan Documents. As to questions of fact material to such opinions, we have relied on certificates of officers of the Borrower and its Subsidiaries.

In rendering this opinion, we have made the following assumptions:

- (a) All documents submitted to or reviewed by us are accurate and complete and if not originals are true and correct copies of the originals. The signatures on each of such documents by the parties thereto (other than the Borrower) are genuine. Each individual who signed such documents on behalf of any Person (other than the Borrower) had the legal capacity to do so. All individuals who signed such documents on behalf of a corporation (other than the Borrower) were duly authorized to do so.

- (b) The Lenders and the Administrative Agent have the corporate power and authority to execute and deliver the Credit Agreement and other Loan Documents to which they are parties and to perform their obligations under the Credit Agreement and the other Loan Documents.
- (c) The execution and delivery by the Administrative Agent and the Lenders of the Credit Agreement and the other Loan Documents to which they are parties have been duly authorized by all requisite corporate action and such documents have been duly executed and delivered by the Administrative Agent and the Lenders.

Based upon the foregoing and subject to the limitations, qualifications and exceptions set forth herein, we are of opinion that:

- 1. Each of the Borrower and each Subsidiary (i) is a corporation duly organized, validly existing and in good standing under the laws of Bermuda, (ii) is duly qualified to do business and in good standing in each jurisdiction where, because of the nature of its activities or properties, such qualification is required, which jurisdictions are set forth with respect to the Borrower and each Subsidiary on Schedule 4.1 of the Credit Agreement,  
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(iii) has the requisite corporate power and authority and the right to own and operate its properties, to lease the property it operate under lease, and to conduct its business as now and proposed to be conducted and (iv) has obtained all material licenses, permits, consents or approvals from or by, and has made all filings with, and given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct (including, without limitation, the consummation of the transactions contemplated by the Credit Agreement and the other Loan Documents) as to each of the foregoing except where the failure to do so would not have a Material Adverse Effect on the Borrower and its Subsidiaries taken as a whole.
- 2. The execution, delivery and performance by the Borrower of the Credit Agreement and the consummation of the transactions contemplated thereby are within its corporate powers and have been duly authorized by all necessary corporate action (including, without limitation, shareholder approval, if required).
- 3. The Borrower has received all governmental and other consents and approvals (if any shall be required) necessary for the execution, delivery and performance of the Credit Agreement and the other Loan Documents, and such execution, delivery and performance do not and

will not contravene or conflict with, or create a Lien or right of termination or acceleration under, its Organization Documents or the Shareholders' Agreement or any Requirement of Law or Contractual Obligation binding upon the Borrower or its Subsidiaries.

4. The Credit Agreement and the other Loan Documents to which it is a party have been executed by the Borrower and constitute the legal, binding and enforceable obligations of Borrower enforceable against the Borrower in accordance with their respective terms.
5. Neither the Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled by an investment company", within the meaning of the Investment Company Act of 1940, as amended.
6. Except as set forth in Schedule 4.5 of the Credit Agreement, no -----  
claim, litigation (including, without limitation, derivative actions), arbitration, governmental investigation or proceeding or inquiry is pending or threatened against the Borrower or any of its Subsidiaries (i) which would, if adversely determined, have a Material Adverse Effect on the Borrower or its Subsidiaries taken as a whole or (ii) which relates to any of the transactions contemplated hereby, and there is no basis known for any of the foregoing.
7. No recording, filing, privilege or other tax must be paid in connection with, or as a result, the execution, delivery or enforcement of the Credit Agreement and the other Loan Documents.
8. Neither the Administrative Agent nor any Lender will be required to qualify to do business in Bermuda in order to exercise its rights under the Credit Agreement and the other Loan Documents.
9. The choice of the laws of the State of Illinois to govern the Credit Agreement and the other Loan Documents is valid under the laws of Bermuda and will be given effect in any proceeding brought against the Borrower in a Bermuda court.
10. Any judgment against the Borrower for a fixed sum of money obtained with respect to the Credit Agreement and the other Loan Documents will be recognized by and will be permitted to be enforced against the Borrower in an action brought against the Borrower in a Bermuda court.

The opinions expressed herein are limited (i) to the extent that general equitable principles limit the availability of equitable remedies, including but not limited to the remedy of

specific performance, injunctive relief, the appointment of a receiver, and rights of acceleration; and (ii) to the extent that the enforceability of the Credit Agreement and the other Loan Documents is limited by applicable bankruptcy, insolvency, and other debtor relief laws of general applicability.

This opinion is based on my knowledge of the law and facts as of the date hereof. I assume no duty to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to my attention or to reflect any changes in any law which may hereafter occur or become effective.

Respectfully submitted,

EXHIBIT E

[FORM OF] ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "Assignment and Acceptance") dated as of \_\_\_\_\_, 199\_\_ is made between \_\_\_\_\_ (the "Assignor") and \_\_\_\_\_ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Third Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 (as amended, amended and restated, modified, supplemented or renewed, the "Credit Agreement") among RenaissanceRe Holdings Ltd., a Bermuda company (the "Borrower"), the several financial institutions from time to time party thereto (including the Assignor, the "Lenders"), Fleet National Bank and Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association, as agent for the Lenders (the "Administrative Agent"). Any terms defined in the Credit Agreement and not defined in this Assignment and Acceptance are used herein as defined in the Credit Agreement;

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to making Loans (the "Committed Loans") to the Borrower in an aggregate amount not to exceed \$\_\_\_\_\_ (the "Commitment");

WHEREAS, [the Assignor has made Committed Loans in the aggregate principal amount of \$\_\_\_\_\_ to the Borrower] [no Committed Loans are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee [part of the] [all] rights and obligations of the Assignor under the Credit Agreement in respect of its Commitment, [together with a corresponding portion of each of its outstanding Committed Loans,] in an amount equal to \$\_\_\_\_\_ (the "Assigned Amount") on the terms and subject to the conditions set forth herein and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Acceptance.

(a) Subject to the terms and conditions of this Assignment and Acceptance, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without recourse and without representation or warranty (except

as provided in this Assignment and Acceptance) \_\_\_% (the "Assignee's Percentage Share") of (A) the Commitment and the Committed Loans of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Credit Agreement and the Loan Documents.

(b) With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignee shall be a party to the Credit Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Credit Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Amount and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee; provided, however, the Assignor shall not relinquish its rights under Sections 10.4 and 10.5 of the Credit Agreement to the extent such rights relate to the time prior to the Effective Date.

(c) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignee's Commitment will be \$\_\_\_\_\_.

(d) After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignor's Commitment will be \$\_\_\_\_\_.

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to \$\_\_\_\_\_, representing the Assignee's Pro Rata Share of the principal amount of all Committed Loans.

(b) The [Assignor] [Assignee] further agrees to pay to the Administrative Agent a processing fee in the amount specified in Section 10.8(a) of the Credit Agreement.

3. Reallocation of Payments.

Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment, and Committed Loans shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of

the Assignee. Each of the Assignor and the Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision.

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The Assignee (a) acknowledges that it has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements referred to in Section 5.16 of the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Acceptance; and (b) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement.

5. Effective Date; Notices.

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(a) As between the Assignor and the Assignee, the effective date for this Assignment and Acceptance shall be \_\_\_\_\_, 199\_\_ (the "Effective Date"); provided that the following conditions precedent have been

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satisfied on or before the Effective Date:

(i) this Assignment and Acceptance shall be executed and delivered by the Assignor and the Assignee;

(ii) the consent of the Borrower and the Administrative Agent required for an effective assignment of the Assigned Amount by the Assignor to the Assignee under Section 10.8(a) of the Credit Agreement shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Assignment and Acceptance;

(iv) the processing fee referred to in Section 2(b) hereof and in Section 10.8(a) of the Credit Agreement shall have been paid to the Administrative Agent; and

(v) the Assignor shall have assigned and the Assignee shall have assumed a percentage equal to the Assignee's Percentage Share of the rights and obligations of the Assignor under the Credit Agreement (if such agreement exists).

(b) Promptly following the execution of this Assignment and Acceptance, the Assignor shall deliver to the Borrower and the Administrative Agent for acknowledgement by the

Administrative Agent, a Notice of Assignment in the form attached hereto as Schedule 1.

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[6. Administrative Agent. [INCLUDE ONLY IF ASSIGNOR IS

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ADMINISTRATIVE AGENT]

(a) The Assignee hereby appoints and authorizes the Assignor to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent by the Lenders pursuant to the terms of the Credit Agreement.

(b) The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Administrative Agent under the Credit Agreement.]

7. Withholding Tax.

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The Assignee (a) represents and warrants to the Lender, the Administrative Agent and the Borrower that under applicable law and treaties no tax will be required to be withheld by the Lender with respect to any payments to be made to the Assignee hereunder, (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any State thereof) to the Administrative Agent and the Borrower prior to the time that the Administrative Agent or Borrower is required to make any payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein the Assignee claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms 4224 or 1001 upon the expiration of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by the Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

-----

(a) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance, and apart from any



agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Borrower, or the performance or observance by the Borrower, of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Acceptance and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Acceptance, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Acceptance; and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; (iii) this Assignment and Acceptance has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

9. Further Assurances.

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The Assignor and the Assignee each hereby agree to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Acceptance, including the delivery of any notices or other documents or

instruments to the Borrower or the Administrative Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.  
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(a) Any amendment or waiver of any provision of this Assignment and Acceptance shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Acceptance shall be without prejudice to any rights with respect to any other or further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Acceptance.

(d) This Assignment and Acceptance may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF ILLINOIS. The Assignor and the Assignee each irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in Illinois over any suit, action or proceeding arising out of or relating to this Assignment and Acceptance and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Illinois State or Federal court. Each party to this Assignment and Acceptance hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ACCEPTANCE, THE CREDIT AGREEMENT, ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING, OR STATEMENTS (WHETHER ORAL OR WRITTEN).

[Other provisions to be added as may be negotiated between the  
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Assignor and the Assignee, provided that such provisions are not inconsistent  
-----  
with the Credit Agreement.]  
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IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment and Acceptance to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_ [ASSIGNEE]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE 1

NOTICE OF ASSIGNMENT AND ACCEPTANCE

\_\_\_\_\_, 19\_\_

Bank of America National Trust  
and Savings Association, as Administrative Agent  
231 S. La Salle St.  
Chicago, IL 60697

[Name and Address of Borrower]

Ladies and Gentlemen:

We refer to the Third Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 (as amended, amended and restated, modified, supplemented or renewed from time to time the "Credit Agreement") among RenaissanceRe Holdings

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Ltd. (the "Borrower"), the Lenders referred to therein, Fleet National Bank and

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Mellon Bank, N.A., as Co-Agents and Bank of America National Trust and Savings Association as agent for the Lenders (the "Administrative Agent"). Terms defined

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in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of, and request your consent to, the assignment by \_\_\_\_\_ (the "Assignor") to \_\_\_\_\_ (the "Assignee") of \_\_\_\_\_% of the right, title and interest of the Assignor in and to the Credit Agreement (including, without limitation, the right, title and interest of the Assignor in and to the Commitments of the Assignor[,] [and] all outstanding Loans made by the Assignor) pursuant to the Assignment and Acceptance Agreement attached hereto (the "Assignment and Acceptance"). Before giving effect to such assignment the Assignor's Commitment is \$ \_\_\_\_\_[,] [and] the aggregate amount of its outstanding Loans is \$\_\_\_\_\_.

2. The Assignee agrees that, upon receiving the consent of the Administrative Agent and, if applicable, RenaissanceRe Holdings Ltd. to such assignment, the Assignee will be bound by the terms of the Credit Agreement as fully and to the same extent as if the Assignee were the Lender originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the Assignee:

- (A) Notice Address:
- Assignee name: -----
- Address: -----
- 
- 
- Attention: -----

Telephone: ( ) -----  
Telecopier: ( ) -----  
Telex (Answerback): -----

(B) Payment Instructions:

Account No.: -----  
At: -----  
-----  
-----  
Reference: -----  
Attention: -----  
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4. You are entitled to rely upon the representations, warranties and covenants of each of the Assignor and Assignee contained in the Assignment and Acceptance.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[NAME OF ASSIGNOR]

By: -----

Title: -----

By: -----

Title: -----

[NAME OF ASSIGNEE]

By: -----

Title: -----

By: -----

Title: -----

ACKNOWLEDGED AND ASSIGNMENT  
CONSENTED TO:

RENAISSANCERE HOLDINGS LTD.

By: -----

Title: -----

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION, as Administrative Agent

By: -----

Its: -----

EXHIBIT F

[FORM OF] PROMISSORY NOTE

\$ \_\_\_\_\_

\_\_\_\_\_, 199\_

FOR VALUE RECEIVED, the undersigned, RenaissanceRe Holdings Ltd., a Bermuda company (the "Company"), hereby promises to pay to the order of

\_\_\_\_\_. (the "Lender") the principal sum of \_\_\_\_\_ Dollars

(\$ \_\_\_\_\_) or, if less, the aggregate unpaid principal amount of all Loans made by the Lender to the Borrower pursuant to the Third Amended and Restated Credit Agreement, dated as of \_\_\_\_\_, 1996 (such Credit Agreement, as it may be amended, restated, supplemented or otherwise modified from time to time, being hereinafter called the "Credit Agreement"), among the Company, the Lender,

the other banks parties thereto, Fleet National Bank and Mellon Bank N.A., as Co-Agents, Bank of America National Trust and Savings Association, as Administrative Agent for the Lenders, on the dates and in the amounts provided in the Credit Agreement. The Borrower further promises to pay interest on the unpaid principal amount of the Loans evidenced hereby from time to time at the rates, on the dates, and otherwise as provided in the Credit Agreement.

The Lender is authorized to endorse the amount and the date on which each Loan is made, the maturity date therefor and each payment of principal with respect thereto on the schedules annexed hereto and made a part hereof, or on continuations thereof which shall be attached hereto and made a part hereof; provided, that any failure to endorse such information on such schedule or continuation thereof shall not in any manner affect any obligation of the Company under the Credit Agreement and this Promissory Note (the "Note").

This Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement, which Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. Terms defined in the Credit Agreement are used herein with their defined meanings therein unless otherwise defined herein. This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State.

RENAISSANCERE HOLDINGS LTD.

By: \_\_\_\_\_









1. To be executed by the chief financial officer or treasurer of the Borrower.

SECOND AMENDED AND RESTATED  
1993 STOCK INCENTIVE PLAN OF  
RENAISSANCERE HOLDINGS LTD.

1. Purpose

The purpose of the Second Amended and Restated 1993 Stock Incentive Plan (the "Plan") of RenaissanceRe Holdings Ltd. (the "Company") is to provide a means through which the Company and the Subsidiaries, as applicable, may attract able persons to enter and remain in the employ of the Company and to provide a means whereby those employees upon whom the responsibilities of the successful administration and management of the Company rest, and whose present and potential contributions to the welfare of the Company are of importance, can acquire and maintain Common Share ownership, thereby strengthening their commitment to the welfare of the Company and promoting an identity of interest between the Company's shareholders and such employees. As used herein with reference to the employment of a Participant, the term "Company" shall include the Subsidiaries, as applicable.

2. Definitions

The following definitions shall be applicable throughout the Plan.

- (a) "Base Shares" means the Base Shares issued under the 1995 Plan.
- (b) "Board" means the Board of Directors of the Company.
- (c) "Bonus Shares" means the Bonus Shares issued under the 1995 Plan.

(d) "Cause" means the definition of such term in a Participant's employment agreement, without regard to whether such employment agreement has expired, or in the absence of such an agreement, (1) a Participant's failure to substantially perform his duties as an employee of the Company, (2) the engaging by the Participant in misconduct which is injurious to the Company, monetarily or otherwise, (3) the commission by the Participant of an act of fraud or embezzlement against the Company, (4) the conviction of the Participant of a felony, or (5) a material breach of any Non-Competition Obligation.

(e) "Change in Control" means the sale or other disposition of more than 90% of the value of all of the Company's outstanding equity securities to one or more persons other than the Investors, but excluding any transaction which, in the discretion of the Board, is to be accounted for as a pooling of interests.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(g) "Committee" means the Compensation Committee of the Board or any sub-committee thereof.

(h) "Common Shares" means the common shares of the Company, par value \$1.00 per share.

(i) "Disability" means the definition of such term in a Participant's employment agreement, without regard to whether the term of such employment agreement has expired, or in the absence of such agreement, the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a Participant was employed when such disability commenced, as determined by the Board based upon medical evidence acceptable to it.

(j) "Fair Market Value" of a Common Share means, as of any date when the Common Shares are quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market System ("NMS") or listed on one or more national securities exchanges, the average closing trading price reported on NASDAQ-NMS or the principal national securities exchange on which such Common Shares are listed and traded for the five-day period preceding such date. If the Common Shares are not quoted on NASDAQ-NMS or listed on such an exchange, or representative quotes are not otherwise available, the Fair Market Value shall mean the amount determined by the Board to be the fair market value of the Common Shares based upon a good faith attempt to value the Common Shares accurately.

(k) "Investors" shall have the meaning given such term in the Shareholders Agreement.

(l) "ISO" means an "incentive stock option" within the meaning of Section 422 of the Code.

(m) "Non-Competition Obligation" means the definition of such term in a Participant's employment agreement, without regard to whether such employment agreement has expired, or in the absence of such an agreement, the obligation of each Participant, in consideration of the receipt of awards hereunder, for the one year period commencing on the termination of such Participant's employment, not to directly or indirectly, whether as an employee consultant, independent contractor,

partner, joint venturer or otherwise, (A) engage in any business activities reasonably determined by the Board to be competitive, to a material extent, with any substantial type or kind of business activities conducted by the Company or its Subsidiary at the time of such termination; (B) on behalf of any person or entity engaged in business activities competitive with the business activities of the Company or its Subsidiary, solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or as agent of, the Company or its Subsidiary to terminate such person's contract of employment or agency, as the case may be, with the Company or its Subsidiary, or (C) divert, or attempt to divert, any person, concern, or entity from doing business with the Company or its Subsidiary, or attempt to induce any such person, concern or entity to cease being a customer or supplier of the Company or its Subsidiary.

(n) "NQSO" means an Option which is not an ISO.

(o) "Option" means an option to purchase Common Shares, which may be either an ISO or a NQSO.

(p) "Participant" means an employee of the Company who has been granted awards pursuant to the Plan.

(q) "Plan" means the Second Amended and Restated 1993 Stock Incentive Plan of RenaissanceRe Holding Ltd.

(r) "1995 Plan" means the Amended and Restated 1993 Stock Incentive Plan of RenaissanceRe Holdings Ltd., effective as of March 26, 1995.

(s) "Reload Options" shall mean Options granted pursuant to Section 7(d) hereof.

(t) "Restricted Stock" means Common Shares subject to such restrictions as may be prescribed by the Committee.

(u) "Shareholders Agreement" means that certain amended and restated shareholders agreement dated as of the 23rd day of December, 1996, among the Investors.

(v) "Subsidiary" means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.

(w) "Without Cause" means the definition of such term in a Participant's employment agreement, without regard to whether such employment agreement has expired, or in the absence of such an agreement, any termination by the Company for reasons other than Cause or Disability.

### 3. Restatement of Plan; Effective Date, Duration, Shares Reserved

(a) The Plan is an amendment and restatement of the 1995 Plan, and shall be effective on the date of its adoption by the Board, subject to approval by the shareholders of the Company. In the event the Plan is so approved, it shall continue in effect for a period of ten years from such date, after which no awards may be granted, provided that the expiration of the Plan shall not affect the obligations of the Company and Participants with respect to outstanding awards.

(b) Subject to adjustments pursuant to the provisions of Section 10 hereof, the maximum number of Common Shares which may be issued or sold hereunder shall not exceed 4,000,000, inclusive of shares issued or sold pursuant to awards granted under the 1995 Plan. Such shares may be either authorized but unissued shares; provided, however, that shares with respect to which an Option has been exercised, or as to which Base Shares, Bonus Shares or Restricted Stock have vested, shall not again be available for issuance hereunder. If outstanding Options granted hereunder shall terminate or expire for any reason without being wholly exercised, or if Base Shares, Bonus Shares or Restricted Stock are forfeited, the Common Shares allocable to the unexercised portion of such Options or the forfeited Base Shares, Bonus Shares or Restricted Stock will again be available for issuance under the Plan. The number of Common Shares available for issuance shall be increased by the number of shares tendered to or withheld by the Company in connection with the payment of the purchase price or tax withholding obligations relating to any award hereunder. The preceding sentence notwithstanding, the maximum number of shares for which ISOs may be granted under the Plan shall not exceed 4,000,000, and the maximum number of shares for which Options may be granted to any single Participant shall not exceed 4,000,000.

### 4. Administration

The Committee shall administer the Plan. Subject to the provisions of the Plan, the Committee shall have exclusive power to:

(a) Select the Participants in the Plan;

(b) Determine the number of Options or other awards to be granted to each Participant;

(c) Determine the time or times when Options or other awards will be granted;

(d) Determine the terms of each award, including whether an Option will be an ISO or an NQSO and the terms for payment of the exercise price; and

(e) Prescribe the form or forms of agreements evidencing Options and other awards.

Subject to the provisions of the Plan and the terms of any employment agreement entered into with a Participant which relate to the Plan, the Committee shall have the authority to interpret the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan.

#### 5. Eligibility

Participants shall be limited to officers and employees of the Company who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to receive awards under the Plan.

#### 6. Terms of Outstanding Base Shares, Bonus Shares and Options Unchanged

The adoption of the Plan shall not affect the terms and conditions applicable to outstanding Base Shares, Bonus Shares and Options.

#### 7. Terms of Options; Other Awards

(a) General. Options may be granted under the Plan from time to time as determined by the Committee. Subject to the provisions of the Plan, the Committee will determine the terms of Options to be granted. Options may be granted at a price below, equal to or above Fair Market Value, as determined by the Committee in its sole discretion. All Options granted under the Plan will have a maximum term of ten years from the date of grant, subject to earlier termination as provided in the Plan or in a Participant's Option agreement.

(b) Pool A Options. Under the 1995 Plan, the Company granted Options for an aggregate of 675,000 Common Shares ("Pool A Options") to Participants.

(c) Pool B Options. The Company has granted Options ("Pool B Options") for an aggregate of 226,650 Common Shares.

(d) Reload Options. (i) Reload Options may be granted from time to time by the Committee, in its sole discretion, in the event a Participant, while employed by the Company, exercises an Option by the delivery of Common



Shares which have been held by the Participant for a period of at least six months, or in the event a Participant's tax withholding obligations upon exercise of Options are satisfied by the Company withholding Common Shares with an aggregate Fair Market Value equal to the minimum tax withholding amount due thereon, as provided in Section 9(c)(ii) hereof. Such Reload Options shall entitle the Participant to purchase that number of Common Shares equal to the number of Common Shares so delivered to, or withheld by, the Company, provided that the total number of shares covered by Reload Options shall not exceed the number of shares subject to the original Option grant.

(ii) The price per share of Reload Options shall be the Fair Market Value Per Share on the date such Reload Option is granted. The duration of such Reload Option shall not extend beyond ten years from the date of grant of the underlying award to which the grant of the Reload Option relates. Reload Options shall be fully vested and exercisable on the date of grant. Other specific terms and conditions applicable to Reload Options granted under the Plan shall be determined by the Committee.

(e) Special Provisions Applicable to ISOs. The following special provisions shall be applicable to ISOs granted under the Plan.

(i) No ISOs shall be granted under the Plan after ten years from the earlier of (1) the date the Plan is adopted by the Board, or (2) the date the Plan is approved by the Company's shareholders.

(ii) ISOs may not be granted to a person who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, any of its Subsidiaries, or any "parent corporation" of the Company within the meaning of Section 424(e) of the Code.

(iii) If the aggregate fair market value of the Common Shares with respect to which ISOs are exercisable for the first time by any Participant during a calendar year (under all plans of the Company and its parent corporations and Subsidiaries) exceeds \$100,000, such ISOs shall be treated, to the extent of such excess, as NQSOs. For purposes of the preceding sentence, the fair market value of the Common Shares shall be based on the Fair Market Value per share, determined at the time the ISOs covering such shares were granted.

(iv) The exercise price per Common Share of an ISO may not be less than the Fair Market Value Per Share on the date the ISO is granted.

(f) Other Awards. The Committee may grant other forms of share-based awards, including without limitation Restricted Stock, on such terms as it shall establish in its sole discretion.

#### 8. Termination of Employment.

Except to the extent specifically provided otherwise in a Participant's award agreement, the following provisions shall apply to Base Shares, Bonus Shares and Options upon a Participant's termination of employment with the Company.

(a) In General. In the event a Participant's employment with the Company is terminated for any reason other than his or her death or Disability, all Base Shares, Bonus Shares, Restricted Stock and Options which have not vested as of the date of such termination shall be immediately forfeited. The Participant shall have a period of up to 30 days within which to exercise any Options which were vested as of the date of termination, and such vested Options shall lapse and be cancelled to the extent not so exercised.

(b) Death or Disability. In the event a Participant's employment with the Company is terminated by reason of his or her death or Disability or if such Participant shall die or become disabled within 30 days of his or her involuntary termination of employment other than for Cause, all Base Shares, Bonus Shares, Restricted Stock and Options which have not vested as of the date of such termination shall become immediately vested. Such Participant (or such Participant's estate) shall have up to one year after such termination to exercise vested Options.

#### 9. General

(a) Privileges of share ownership. (i) Except as otherwise specifically provided in the Plan, no person shall be entitled to the privileges of share ownership in respect of Common Shares which are subject to Options until such shares have been issued to that person upon exercise of an Option according to its terms. Except as otherwise provided in the Plan, holders of Base Shares, Bonus Shares and Restricted Stock will be entitled to the privileges of share ownership in respect of such shares, including the right to vote and receive dividends, whether or not such shares are vested.

(ii) The Committee may, at its discretion, approve cash payments to Participants on certain Options. Participants who hold any such Options as of the date immediately following the record date for a dividend declared in respect of the Common Shares shall receive a cash payment with respect to such Options equal to the

product of (A) the per share dollar amount of the dividend so declared and (B) the number of Common Shares issuable upon exercise of such Options as of the date immediately following such record date. Such amounts shall generally be paid at the time dividends are paid and shall not be contingent upon the exercise of such Options.

(b) Government and other regulations. The obligations of the Company under the Plan shall be subject to all applicable laws, rules, regulations and other governmental requirements; it being understood, however, that the Company shall take all reasonable actions as may be required to ensure that the benefits intended to be conferred on the Participants hereunder shall not be reduced to any material extent by any unanticipated governmental requirements.

(c) Tax withholding. The Company shall have the right to deduct from any payment to a Participant pursuant to the Plan any federal, state or local income or other taxes required by law to be withheld in respect thereof. It shall be a condition to the obligation of the Company to issue Common Shares to a Participant upon the exercise of an Option by such Participant that such Participant (or any beneficiary or person entitled to exercise such Option) pay to the Company, upon demand, such amount as may be requested by the Company for the purpose of satisfying any liability to withhold federal, state or local income or other taxes. In the event any such amount so requested is not paid, the Company may refuse to issue Common Shares to such Participant upon the exercise by such Participant of Options. Unless the Committee shall in its sole discretion determine otherwise, payment for taxes required to be withheld may be made in whole or in part by an election by a Participant, in accordance with such rules as may be adopted by the Committee from time to time, (i) to have the Company withhold Common Shares otherwise issuable upon exercise of Options having a Fair Market Value equal to such tax withholding liability and/or (ii) to tender to the Company Common Shares held by such Participant for at least six months prior to the date of such tender and having a Fair Market Value equal to such tax withholding liability.

(d) Payment of Exercise Price. The exercise price of Options may be paid in cash or by such other means as may be approved by the Committee in its discretion; provided that any right to such pay exercise price by tendering Common Shares shall be limited to shares which have been held by the Participant for at least six months. In the event the Committee shall provide that the exercise price of an Option may be paid by delivery of shares of Restricted Stock, and the exercise price is so paid by the Participant, the Participant shall receive, in connection with such exercise, an equal number of shares of Restricted Stock having the same restrictions and any remaining Common

Shares issued upon such exercise shall have such restrictions, if any, as are set forth in such Participant's option agreement with the Company.

(e) Claim to Base Shares, and Bonus Shares and Options; employment rights. No employee or other person shall have any claim or right to be granted Base Shares, Bonus Shares or Options under the Plan nor, having been selected for the grant of Base Shares, Bonus Shares or Options, to be selected for additional grants. Neither this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of the Company.

(f) Agreements. Each Participant to whom Options are granted under the Plan shall be required to enter into a written agreement authorized by the Board in respect of such grant. The Board may, in any such agreement, prescribe terms and conditions governing the grant.

(g) Payments to persons other than Participants. If the Board shall find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his estate (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Board so directs, be paid to his spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Board to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Board and the Company therefor.

(h) Governing law. The Plan shall be governed by and construed in accordance with the internal laws of Bermuda without reference to the principles of conflicts of law thereof.

(i) Funding. No provision of the Plan shall require the Company for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(j) Nontransferability. Options granted under the Plan, and all unvested Base Shares and Bonus Shares, may not be sold, assigned, donated, or transferred or otherwise disposed of, mortgaged, pledged or encumbered except, in the event of a Participant's death, by will or the laws of descent and distribution. During a Participant's lifetime, Options granted under the Plan may be exercised only by the Participant.

(k) Restrictive Legends. The certificates evidencing Common Shares issued under the Plan shall bear such restrictive legends as the Committee deems necessary to reflect transfer restrictions applicable thereto.

(l) Relationship to other benefits. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided.

(m) Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries, as applicable.

(n) Titles and headings. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

(o) Tax Liabilities. The Company will provide Participants with reasonable financing arrangements with respect to compensation income tax liabilities associated with the receipt or vesting of the Base Shares and Bonus Shares.

#### 10. Changes in Capital Structure

Base Shares, Bonus Shares, Options and other awards under the Plan shall be subject to adjustment or substitution, as determined by the Board in its reasonable discretion, as to the number, price or kind of shares or other consideration subject to such Base Shares, Bonus Shares, Options and such other awards or as otherwise determined by the Board to be equitable (i) in the event of changes in the outstanding Common Shares or in the capital structure of the Company, by reason of share dividends, share splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the date of grant of any such Base Shares, Bonus Shares, Options and such other awards or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants in the Plan, or which otherwise warrants

equitable adjustment because it interferes with the intended operation of the Plan. In addition, in the event of any such adjustments, exchanges or substitution, the aggregate number of Common Shares available under the Plan shall be appropriately adjusted, as determined by the Board in its reasonable discretion.

#### 11. Effect of Change in Control

In the event of a Change in Control, notwithstanding any vesting schedule provided for hereunder, all outstanding Base Shares, Bonus Shares and Options, shall automatically vest and such Options shall be deemed exercised and in exchange therefor Participants shall be paid a cash amount based on the difference between (1) the price per share paid for the Common Shares in connection with such Change in Control, and (2) the exercise price per share (which in the case of Base Shares and Bonus Shares shall be zero).

#### 12. Nonexclusivity of the Plan

The adoption of this Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

#### 13. Amendments and Termination

The Board may at any time terminate the Plan. With the express written consent of an individual Participant, the Board may cancel or reduce or otherwise alter outstanding Base Shares, Bonus Shares and Options. The Board may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the Plan in whole or in part. Notwithstanding anything herein which could be deemed to be to the contrary, the Board may not take any action, including any amendment or termination of the Plan, which shall impair to any material extent the rights of a Participant in respect of Base Shares, Bonus Shares, Options and other awards pursuant to the Plan previously granted to a Participant without the written consent of such Participant. Except as provided in Section 10, the Board may not, without approval of the shareholders of the Company, increase the aggregate number of Common Shares issuable under the Plan.

15. Non-Competition Obligations

Each Participant, as condition of, and in consideration of, the granting of any Base Share, Bonus Share or Option, shall expressly agree to be bound by a Non-Competition Obligation.

AMENDED AND RESTATED  
RENAISSANCERE HOLDINGS LTD.  
NON-EMPLOYEE DIRECTOR STOCK PLAN  
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SECTION 1. PURPOSE. RenaissanceRe Holdings Ltd., a Bermuda company

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(the "Company"), hereby adopts the Amended and Restated RenaissanceRe Holdings Ltd. Non-Employee Director Stock Plan (the "Plan"), subject to the approval of the Company's shareholders. The purpose of the Plan is to provide an incentive to the Participants (defined below) (i) to join and remain in the service of the Company, (ii) to maintain and enhance the long-term performance and profitability of the Company and (iii) to acquire a financial interest in the success of the Company. The Plan shall become effective upon the date of its approval by the requisite vote of the Company's shareholders (the "Effective Date").

SECTION 2. ELIGIBILITY. Members of the Company's Board of Directors

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(the "Board") who are not employees of (i) the Company, (ii) any of the Investors (as defined below), or (iii) any of their respective affiliates, will be granted awards pursuant to the provisions of the Plan (a "Participant or Participants"). The "Investors" shall mean and include each of (i) Warburg, Pincus Investors, L.P., (ii) PT Investments, Inc., (iii) GE Private Placement Partners I-Insurance, Limited Partnership and (iv) United States Fidelity and Guaranty Company. For purposes of the Plan, an "Affiliate" of an entity shall mean any entity directly or indirectly controlling, controlled by, or under common control with such entity. Any Participant who terminates service as a director of the Company shall



automatically cease participation in the Plan as of the date of his or her termination.

SECTION 3. ADMINISTRATION.  
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3.1 The Board. The Plan shall be administered by the Board.  
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3.2 Board Authority. The Board shall have the authority to: (i) exercise all of the powers granted to it under the Plan, (ii) construe, interpret and implement the Plan, (iii) prescribe, amend and rescind rules and regulations relating to the Plan, (iv) make all determinations necessary in administering the Plan and (v) correct any defect, supply any omission, and reconcile any inconsistency in the Plan.

3.3 Binding Determinations. The determination of the Board on all matters within its authority relating to the Plan shall be conclusive.  
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3.4 No Liability. No member of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any award hereunder.

SECTION 4. SHARES SUBJECT TO PLAN  
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4.1 Shares. Awards under the Plan shall be for Common Shares, \$1.00 par value, of the Company and any other shares into which such shares shall thereafter be changed by reason of merger, reorganization, recapitalization, consolidation, split-up, combination of shares, or similar event as set forth in and in accordance with this Section 4 (the "Shares").

4.2 Shares Available for Awards. Subject to Section 4.3 (relating to adjustments upon changes in the Company's

capitalization), as of any date the total number of Shares with respect to which awards may be granted under the Plan shall be equal to the excess (if any) of (i) 100,000 Shares, over (ii) the sum of (A) the number of Shares subject to outstanding awards granted under the Plan, and (B) the number of Shares previously transferred pursuant to awards granted under the Plan. In accordance with (and without limitation upon) the preceding sentence, Shares covered by awards granted under the Plan which expire or terminate for any reason whatsoever shall again become available for awards under the Plan. Shares granted under the Plan shall be authorized and unissued common shares of the Company.

4.3 Adjustments upon Certain Changes. In the event of any merger,

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reorganization, recapitalization, consolidation, sale or other distribution of substantially all of the assets of the Company, any stock dividend, stock split, spin-off, split-up, distribution of cash, securities or other property by the Company, or other change in the Company's corporate structure affecting the Shares, then the Board shall substitute or adjust as it determines to be equitable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be awarded under the Plan: (i) the aggregate number of Shares reserved for issuance under the Plan, (ii) the number of Shares subject to outstanding awards and (iii) the amount to be paid by Participants or the Company, as the case may be, with respect to any outstanding awards.

SECTION 5. AWARDS UNDER THE PLAN. Each Participant shall

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automatically be granted non-discretionary awards under the Plan in the form of (i) "Director Shares" and (ii) "Options" (as such terms are defined below).

SECTION 6. DIRECTOR SHARES

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6.1 Awards. Each Participant who, as of the date of each annual general meeting of the Company's shareholders, shall continue to serve as a director of the Company after the date of such annual general meeting shall automatically be granted an award of Director Shares in such number as shall be determined by the Board. The Board may also grant Director Shares to Participants from time to time, in such number as it shall determine in its discretion.

6.2 Vesting. Director Shares shall either be fully (100%) vested on the grant date or subject to such vesting restrictions as may be established by the Board.

6.3 Shareholder Rights. A Participant shall have the right to receive dividends and other rights of a shareholder with respect to awards of Director Shares.

6.4 Transferability. Director Shares shall be non-transferable during any period after the grant date that such Shares are subject to vesting restrictions, but shall otherwise be transferable by the Participant, subject to any applicable securities law restrictions.

SECTION 7. OPTIONS.

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7.1 Awards. As of the date that a Participant first becomes a member of the Board (or such later date as the Board

may establish in its discretion), such Participant shall automatically be granted an option to purchase 6,000 Shares (each, an "Option") at a price per Share equal to the Fair Market Value of a Share on the date of grant or as otherwise determined by the Board. Thereafter, as of each subsequent annual general meeting of shareholders, such Participant (so long as he continues to serve as a director of the Company after the date of such subsequent annual general meeting) shall automatically be granted an Option to purchase 2,000 Shares, at a price per Share equal to the Fair Market Value of a Share on the date of grant. The Board may also grant Options to Participants from time-to-time, at such per Share price and in such number as it shall determine in its discretion.

7.2 Vesting. All Options granted under the Plan shall either be fully  
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(100%) vested on the date of grant or subject to such vesting restrictions as may be established by the Board.

7.3 Option Term. Options granted under the Plan shall be exercisable  
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for a maximum period of 10 years from the date of grant, subject to earlier termination as provided by the Board at the time of grant.

7.4 Share Certificates; Transferability. Share certificates  
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representing the Shares covered by Options awarded to a Participant shall be registered in the Participant's name. Options may not be sold, transferred, assigned, pledged or otherwise encumbered by the Participant other than by will or the laws of descent and distribution. At the time a Participant's Options are exercised, a certificate for Shares covered by the

Options shall be registered in the Participant's name and delivered to the Participant (or to such Participant's legal representative or designated beneficiary in the event of the Participant's death).

7.5 Shareholder Rights. The Participant shall have no rights as a  
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shareholder of Shares covered by Options until the time such Options are exercised and certificates for Shares covered by such Options are registered in the Participant's name as provided in Section 7.4.

7.6 Exercise of Options. Options granted under the Plan may be  
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exercised by written notice to the Company in such form as the Board may designate, accompanied by full payment of the exercise price therefor. The exercise price may be paid (i) in cash or cash equivalents, (ii) by tendering previously owned Shares with a Fair Market Value equal to the exercise price, (iii) pursuant to brokerage arrangements approved by the Board providing for simultaneous exercising of Options and sale of Shares, and (iv) by any combination of such methods. The Board may require that Participants enter into written Option Agreements with the Company setting forth the terms of Option grants.

SECTION 8. WITHHOLDING TAXES; RIGHT TO OFFSET. The Company shall be  
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entitled to require as a condition of delivery of any Shares to a Participant hereunder that the Participant remit an amount sufficient to satisfy all foreign, federal, state, local and other governmental withholding tax requirements related thereto (if any) and any or all indebtedness or other

obligation of the Participant to the Company or any of its subsidiaries.

SECTION 9. PLAN AMENDMENTS AND TERMINATION. The Board may suspend or

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terminate the Plan at any time and may amend it at any time and from time to time, in whole or in part, provided, that the Board may not, without approval of  
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the Company's shareholders, materially increase the maximum number of Shares which may be issued under the Plan. No termination, modification or amendment of the Plan may adversely affect the rights conferred by outstanding Options or Director Shares without the written consent of the affected Participant. Unless terminated earlier, the Plan will terminate on the tenth anniversary of the Effective Date and no additional awards may be granted under the Plan after such tenth anniversary.

SECTION 10. MISCELLANEOUS.  
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10.1 Listing, Registration and Legal Compliance. If the Board shall

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at any time determine that any Consent (as hereinafter defined) is necessary or desirable as a condition of, or in connection with, the granting of any award under the Plan, the issuance or purchase of Shares or other rights hereunder or the taking of any other action hereunder (each such action being hereinafter referred to as a "Plan Action"), then such Plan Action shall not be taken, in whole or in part, unless and until such Consent shall have been effected or obtained to the full satisfaction of the Board. Without limiting the generality of the foregoing, in the event that (i) the Company shall be entitled under the Plan to make any payment in cash, Shares or

both, and (ii) the Board shall determine that a Consent is necessary or desirable as a condition of, or in connection with, payment in any one or more of such forms, then the Board shall be entitled to determine not to make any payment whatsoever until such Consent shall have been obtained in the manner aforesaid. The term "Consent" as used herein with respect to any Plan Action means (i) the listings, registrations or qualifications in respect thereof upon any securities exchange or under any foreign, federal, state or local law, rule or regulation, (ii) any and all consents, clearances and approvals in respect of a Plan Action by any governmental or other regulatory body, or (iii) any and all written agreements and representations by a Participant with respect to the disposition of Shares or with respect to any other matter, which the Board shall deem necessary or desirable to comply with the terms of any such listing, registration or qualification or to obtain an exemption from the requirement that any such listing, qualification or registration be made.

10.2 Right of Discharge Reserved. Nothing in the Plan shall confer

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upon any Participant the right to serve as a director of the Company or affect any right that the Company or any Participant may have to terminate the Participant's service as a director.

10.3 Fair Market Value. For purposes of the Plan, as of any date

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when the Shares are listed on the NASDAQ National Market system ("NASDAQ-NMS") or listed on one or more national securities exchanges, the "Fair Market Value" of the Shares as of

any date shall be deemed to be the mean between the high and low sale prices of the Shares reported on the NASDAQ-NMS or the principal national securities exchange on which the Shares are listed and traded on the immediately preceding business date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported. If the Shares are not listed on the NASDAQ-NMS or listed on an exchange, the "Fair Market Value" of the Shares shall mean the amount determined by the Board to be the fair market value based upon a good faith attempt to value the Shares accurately.

SECTION 11. GOVERNING LAW. The Plan is deemed adopted, made and

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delivered in Bermuda and shall be governed by the laws of Bermuda without reference to principles of conflicts of laws.

SECTION 12. NOTICES. All notices and other communications hereunder

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shall be given in writing, shall be personally delivered against receipt or sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery or of mailing, and if mailed, shall be addressed (a) to the Company, at its principal corporate headquarters, Attn: Chief Financial Officer, and (b) to a Participant, at the Participant's principal residential address last furnished to the Company. Either party may, by notice, change the address to which notice to such party is to be given.

SECTION 13. SECTION HEADINGS. The Section headings contained herein

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are for the purposes of convenience only and are not intended to define or limit the contents of said Sections.



RENAISSANCERE  
HOLDINGS

ANNUAL REPORT 1996

## COMPANY OVERVIEW

RenaissanceRe Holdings Ltd. was formed in June 1993 and is the parent of Renaissance Reinsurance Ltd. and Glencoe Insurance Ltd. Our principal business is property catastrophe reinsurance written on a worldwide basis through Renaissance Reinsurance Ltd. We are one of the largest providers of this coverage in the world. We provide property catastrophe reinsurance coverage to insurance companies and other reinsurers primarily on an excess of loss basis, which means that we begin paying when their claims, from all of the homes, businesses and properties that they insure from a particular catastrophe, exceed a certain retained amount. Through Glencoe, which was incorporated in 1996, we provide catastrophe exposed property coverage. In both our reinsurance business and our insurance business, we provide catastrophe coverage, which means that we reimburse for claims from large natural catastrophes such as hurricanes and earthquakes, although we are also exposed to other types of claims. Events that may have a significant effect on us will normally be on the evening news - although it could be the news in England or Australia. Very large single events or several smaller ones could produce adverse financial results for a quarter or even a year. Our strategic approach is to excel at the three key success factors for our business:

- - Underwriting - Through utilization of our proprietary exposure management and pricing systems and capabilities.
- - Marketing - Through responsive, innovative client service.
- - Capital Management - Through matching our capital to our business needs.

FINANCIAL HIGHLIGHTS

RenaissanceRe Holdings Ltd. and Subsidiaries

(dollar amounts in thousands, except per share amounts)	1996	1995	1994
Gross premiums written.....	\$269,913	\$292,607	\$273,481
Net income available to common shareholders.....	156,160	162,786	96,419
Common dividends declared and paid.....	20,489	4,096	--
PER SHARE AMOUNTS			
Net income.....	\$ 6.01	\$ 6.75	\$ 4.24
Book value.....	23.21	18.99	11.79
Dividends declared.....	0.80	0.16	--
RETURN ON AVERAGE SHAREHOLDERS' EQUITY	30.2%	43.3%	44.1%
OPERATING RATIOS			
Claims and claim expense ratio.....	34.3%	38.3%	47.0%
Underwriting expense ratio.....	17.0%	13.7%	14.6%
Combined ratio.....	51.3%	52.0%	61.6%

Return On Average Equity

[BAR GRAPH]

Book Value Per Share

[Bar Graph]

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## Our Mission

TO OBTAIN A PORTFOLIO OF PROPERTY CATASTROPHE AND OTHER INSURANCE AND REINSURANCE RISKS THAT PRODUCES AN ATTRACTIVE RETURN ON CAPITAL AND IS SIGNIFICANTLY BETTER THAN THE MARKET AVERAGE. WE DO THIS WHILE PROVIDING EXCELLENT CLAIMS-PAYING SECURITY AND THOUGHTFUL, RESPONSIVE SERVICE TO OUR CUSTOMERS.

LETTER TO SHAREHOLDERS

[PHOTOGRAPH OF CHAIRMAN]

Dear Fellow Shareholder:

As the financial and operating highlights on the prior page show, 1996 was another good year - one in which we remained consistent to our mission (shown in the sidebar on this page) and continued to effectively execute our underwriting, marketing, and capital management strategies.

Last year saw increased price competition, which challenged us to remain faithful to our underwriting discipline, and to maintain an attractive return on our growing capital base. Our response was to work harder to serve our clients even better in this more competitive marketplace.

In this letter, let me update you on marketplace trends, then turn to how we are responding to them.

### THE COMPETITIVE ENVIRONMENT

The two emotions that rule the stock market - fear and greed - similarly affect the reinsurance market and we are now clearly in the "greed" phase. The most important trends fall broadly within the availability and management of capital.

The capital available in many segments of the reinsurance market clearly exceeds the opportunities to deploy it in the short run. This capital is primarily internally generated capital by existing insurers and reinsurers both from capital gains in their stock and bond portfolios, and accumulated operating profits. In particular, the success of Lloyd's Reconstruction and Renewal Plan, while acknowledged by most to be a good thing for the long run health of the industry, has added new capital aggressively looking for business. Because the property catastrophe business has been among the most profitable segments of the market recently, it is the focus of much competition.

Fortunately, not all of the news is bad. First, acquisitions are withdrawing capital, because cash used to acquire a company can no longer be deployed to bear insurance risk, (unless the seller "recycles" that cash back into the insurance business - which has not been happening, so far). Industry consolidation has other beneficial effects on Renaissance's competitive position: It continues the "flight to quality" trend, which benefits Renaissance as a premier catastrophe specialist with over half a billion dollars of capital. In addition, any reinsurance consolidation, no matter how well managed, causes some business to become available to the market. However, one detrimental effect has been that consolidation usually reduces the amount of reinsurance the combined entity purchases. The loss of business due to our clients being purchased caused approximately 40% of our 7.8% net decline in gross premiums written last year, and may have a similar affect this year.

The second favorable trend is a widespread focus on capital management. Most major reinsurers are explicitly discussing their strategies for maximizing shareholder value and many are backing these statements up with actions. In addition to capital market actions like share repurchases and dividends, insurers and reinsurers are developing systems to link the impact of individual underwriting decisions with return on equity and ultimately shareholder value. As these systems come on line, I believe they will add to underwriting discipline within the industry. We have been doing this since inception with our Renaissance Exposure Management System (REMS(C)), which we discuss later in this report.

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|"RENAISSANCERE WAS THE FIRST ONE ON BOARD, AND WHEN THAT HAPPENED IT WAS LIKE|  
OPENING THE FLOODGATES. EVERYONE WANTED TO FOLLOW RENAISSANCE'S LEAD."

Chuck Quackenbush  
California Insurance Commissioner

#### ACHIEVEMENTS

1996 for us has been characterized by incremental improvements, rather than bold new initiatives. Our responses to the competitive environment are:

#### RAISING THE BAR

Our main response has been to try to "raise the bar" for customer service to reinforce our position as a "market of the first resort." This involves focusing on three things:

1. speedy responses on quotations and claims,
2. designing custom products, and
3. assisting clients in interpreting their catastrophe modeling results.

Our response speed is best illustrated by the quote we provided to the California Earthquake Authority, which is a state organization formed to provide earthquake insurance in California. Part of its capacity to pay claims is supported by an excess catastrophe reinsurance program. With \$1.4 billion of limit, this is by far the largest property catastrophe excess program in the reinsurance market. To complete it required the participation of all major reinsurers in the world. RenaissanceRe was one of the nine reinsurers asked to provide lead price quotations for the program. And, as noted by the comment above from California Insurance Commissioner Chuck Quackenbush, we were the first company in the world to respond with a firm quotation. Our accomplishments on items 2 and 3 are discussed in the "Marketing" section of this report.

#### STRENGTHENING THE TEAM

Effective client service requires top quality people to provide that service. To meet our service goals, we realized that we needed to bring in a few additional experienced reinsurance professionals to provide support and back-up to the small senior management team that established RenaissanceRe. This program, and the establishment of our primary insurance company, Glencoe Insurance Ltd., has increased our total staff from 19 at the beginning of the year to 29 now. I do not expect this type of growth every year but getting us fully staffed was an important step in the maturation of our company.

#### CAPITAL MANAGEMENT

We have always been active managers of our capital to try to maximize return on equity, and this year was no exception. We completed a secondary stock offering in February that increased the liquidity of our stock. In June, we moved to The New York Stock Exchange, which we believe will decrease transaction costs for our shareholders. In November, we increased the capacity of our credit facility to \$200 million and improved both pricing and terms. In December, we repurchased \$72 million of stock from our founding shareholders and in January 1997, repurchased an additional \$28 million from public shareholders on the same terms. This allowed us to return excess capital to our shareholders in a manner that was both tax efficient and accretive to earnings per share.

#### GLENCOE INSURANCE LTD.

Our standards for evaluating any new ventures are:

1. Does it offer an attractive return on equity?
2. Do we understand and potentially have some competitive advantage in the business?
3. Can we execute the plan for the new venture without diverting focus from our core business?

The one expansion that met these tests was to form our primary insurance company, Glencoe. It is located in Bermuda and will primarily write property insurance that is exposed to natural catastrophes. It has been approved as a non-admitted insurer in twenty-one states, including California, where it is primarily covering earthquake exposure. Glencoe allows us to use, in the primary property business, a modeling-intensive underwriting approach similar to the one we have successfully used in the reinsurance market.

OUR STRATEGY

OUR STRATEGY IS BASED ON SUPERIOR EXECUTION OF THREE KEY FACTORS:

- UNDERWRITING - SELECTING THE BUSINESS WE WANT.
- MARKETING - OBTAINING THE BUSINESS THAT WE SELECT.
- CAPITAL MANAGEMENT - MATCHING AN APPROPRIATE AMOUNT OF CAPITAL WITH THE PORTFOLIO OF REINSURANCE RISKS.

CHALLENGES

With the increasing competition in the catastrophe reinsurance market, our main challenges for 1997 are to:

CONTINUE TO ENHANCE RELATIONSHIPS WITH OUR CUSTOMERS

We will continue to emphasize responsive service, custom product design, and assisting our customers in better understanding their catastrophe exposures through modeling.

CONTROL INTERNAL EXPENSES

With our premium falling, and our staff expanding, our expense ratio grew in 1996 and will grow further in 1997. Compared with other catastrophe reinsurers, we no longer have a significant expense ratio advantage. This is acceptable because of the high level of service that we provide our clients, but we will not allow our expense level to cause us to be uncompetitive.

DEVELOP GLENCOE TO MEANINGFULLY CONTRIBUTE TO OUR RESULTS

Although we met our operational goals of forming, staffing and beginning to write business in Glencoe, we did not meet our financial goals for return on equity. We are devoting more resources this year to attempt to achieve these goals.

MAINTAIN AN ATTRACTIVE RETURN ON EQUITY ON A RAPIDLY GROWING CAPITAL BASE

Even if Mother Nature is kind, it is likely that our return on average equity for 1997 will fall below 30% for the first time because, as prices decline, our business requires more capital per dollar of premium.

CONCLUSION

We established RenaissanceRe with a clear view of what we wanted to represent - our "brand attributes," if you will. They include excellent financial security, superior underwriting, highly-collaborative, customer-focused marketing and value-based capital management - all four are aided by our competitively distinguishing REMS risk modeling capability. These attributes each imply a set of promises. To the customer, for example, we must first represent security and service; to the shareholder, we must offer the prospect of superior returns. All of our management team is keenly aware that our success as an organization depends on consistently honoring these promises.

Sincerely,

/s/ James N. Stanard

James N. Stanard  
Chairman, President and Chief Executive Officer

IN ANY COMPETITIVE MARKET, DISCIPLINE IS THE SUCCESSFUL PLAYERS SECRET, AND INFORMATION IS THE SECRET TO DISCIPLINE.

#### UNDERWRITING

The catastrophe reinsurance market is currently experiencing a degradation of market discipline. Due to some interesting characteristics of the business, there are few other businesses where discipline is harder to maintain than the catastrophe business. Fortunately, these characteristics can significantly advantage companies that have sophisticated analytical processes and excellent market information.

RenaissanceRe has developed proprietary analytical and information systems. They're embodied in our REMS system and they provide a significant advantage in the current market conditions. We believe that as market discipline continues to decline, the few organizations which can properly measure their clients' exposures will capture an increasing share of the preferred market, and those organizations which lack the ability to cost their products will find their true costs to be much higher than expected.

IN THE CATASTROPHE BUSINESS, UNDERSTANDING THE TRUE COST OF THE PRODUCT IS STILL A NEW CONCEPT.

In most businesses, measuring the cost of supplying a good or service is usually a simple procedure. Law firms can determine the salaries paid to their employees, shirt manufacturers can determine the costs to make shirts. In catastrophe reinsurance, the major cost components are the claims paid for catastrophic events. As catastrophe events by definition occur infrequently, the catastrophe reinsurers' "opportunities" for true price discovery are rare. Having the ability to understand and measure the cost of the catastrophe product is crucially important for catastrophe reinsurers.

The advent of catastrophe modeling has provided the tools to determine the cost of the catastrophe product. In the long run, companies which utilize and understand this technology and thus better understand the costs of the products they provide, will be the winners.

Catastrophe model usage differs greatly. Half a dozen vendors offer these products but their results often vary significantly at the detailed county or zip code level. Few companies use multiple models due to the significant resources required to understand and utilize each of them.

RenaissanceRe is the leader in understanding these models and their usage; more importantly, the REMS system is unique in its ability to quickly compare the results of multiple models. We can utilize the information provided from each separate vendor and avoid the "apples to oranges" comparisons which occur when the client and the reinsurer use different models. Our annual commitment in this area is several million dollars and we are committed to remaining the premier user of this technology.

Because RenaissanceRe understands this technology, we have a unique ability to properly assess the cost of each product we sell. To see the catastrophe business as a simple commodity is a fallacy because different clients provide significantly different types of exposures. RenaissanceRe has developed the ability to clearly distinguish between underlying exposures, to assess and price the products sold, resulting in a clear competitive advantage.

THE EFFECTS ON NET MARGINS OF GROSS PREMIUM ADJUSTMENTS ARE NOT PROPERLY UNDERSTOOD AND MEASURED.

Industry participants estimate that the pricing for U.S. risks decreased last year on average between 10 and 15%, while non-U.S. risks experienced price reductions in the 15-20% range. Our own measures indicate that U.S. industry premium levels have decreased by about 12%. Rarely, if ever, does this change in gross pricing get translated directly into an effect on gross margins.

At RenaissanceRe, we calculate and assess the margins and expected return on equity on every piece of business we consider. We also capture, in REMS, information about virtually all industry contracts and use this information to calculate and assess the effects of premium movements on both industry gross margins and changes in expected return on equity. This information gives us a unique and clear view into the opportunities and pitfalls of the market. We have calculated that U.S. industry expected gross margins decreased by over 20%, and expected return on equity for the U.S. market declined by over 25%.

Selecting clients who are reducing their exposure profile is key to maintaining a superior portfolio. Uniformity of premium movement provides an opportunity to select clients with the most attractive exposure profiles. By identifying clients who are actively controlling and reducing their catastrophe exposure, gross margins can be maintained even in an environment of price reductions.

Conversely, if the client has increased exposure, a premium reduction can quickly make a profitable client into an unprofitable one.

The table below demonstrates how the management of exposure can impact the expected return on equity in a stable premium and declining premium environment.

Exposure	Expected Return On Equity	
	Stable Premium	15% Premium Reduction
Original	20%	13%
20% growth	14%	7%
20% decline	25%	18%

In catastrophe exposure, the 80/20 rule is alive and well. Twenty percent of the policies produce 80% of the problems. Companies who spend the time and resources to use the outputs of the models quickly determine which 20% is causing their problems and take underwriting actions to improve their portfolios.

At RenaissanceRe we invest a significant amount of our underwriting resources applying the latest technology to differentiate between clients. Identifying clients who are actively managing their exposures is crucial in a decreasing rate environment. As some competitors lose discipline and decrease their commitment to understanding the exposures, this enables us to focus our efforts on the clients we determine to be improving their exposures.

"Normal" decisions in a skewed world lead to a lack of discipline.

The following graph depicts two different potential outcome distributions. The blue distribution depicts a "normal" distribution and is the type of distribution with which most people are familiar. A key characteristic of a normal distribution is that the mean (average) outcome is equal to the median (midpoint) outcome. Another way to put this is that over a long time period, 50% of the actual outcomes will be greater than average, while 50% of the actual outcomes will be less than the average. The red distribution depicts a representative outcome distribution for a catastrophe portfolio. As can be seen, the mean or average value occurs not at the median value, but considerably to the right of the mean value in the distribution. This means that, for a catastrophe portfolio, about four out of five years should have outcomes which are better than average, while in one out of five years the actual outcome will be worse than average. Due to this "skewed" distribution, it is difficult to retain discipline unless the risk takers have the proper tools to assess and measure this risk.

[LINE GRAPH SHOWING CUMULATIVE PROBABILITY OF OUTCOMES AGAINST RESULTS]

At RenaissanceRe, REMS provides a consistent framework to assess risk and provides the objective analytics required to make informed decisions in a skewed outcome environment.

THE WAY FORWARD

Our mission is to obtain a portfolio of superior catastrophe risk. Creating business strategies which embody analytical approaches that address the shortcomings of traditional methods in the catastrophe reinsurance market is essential to long term success. By maintaining a consistent, sophisticated framework, it is easier to maintain discipline in risk selection and portfolio creation. Forging strong relationships with companies who are embracing and utilizing the available technology is a core component to our strategy.

We are helping our clients to assess their catastrophe exposures and to apply portfolio management techniques. This allows us to create win-win relationships with our clients.



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| CLIENTS MUST HAVE CONFIDENCE IN OUR WILLINGNESS AND ABILITY TO SETTLE CLAIMS|  
| PROMPTLY, DESIGN CUSTOM PRODUCTS, AND REMAIN COMMITTED TO PROVIDE MEANINGFUL|  
| REINSURANCE CAPACITY OVER A LONG PERIOD OF TIME. A KEY ROLE OF MARKETING AT |  
RENAISSANCERE IS TO INSTILL AND THEN REINFORCE THAT CONFIDENCE.

## MARKETING

The goal of marketing at RenaissanceRe is to build and sustain client preference to transact business with us. We seek to be the "market of the first resort" for our clients. We accomplish this by providing unsurpassed client service and offering outstanding financial security.

## SELECTIVE MARKETING

We have two distinct advantages when identifying prospective clients. As a market leader, we have the opportunity to see virtually all property catastrophe reinsurance programs, thereby obtaining valuable underwriting information. This access, combined with our proprietary underwriting and risk management system, REMS, enables us to identify companies with reinsurance programs that are best suited for our portfolio. We are then distinctly proactive in soliciting business from those companies, rather than from the entire universe of prospects.

Our marketing is very selective and of a collaborative nature. Our targeted customer base is less than 500 companies so our marketing can be, and is, highly customized. We presently have about 230 client companies and just over 400 reinsurance programs with those clients. A typical client pays us over \$500,000 of premium annually, frequently over \$1,000,000. This is by design. Focusing on fewer clients that cede us substantial premium enables us to invest more time and resources to understand their needs and to provide custom solutions. Being a client's major reinsurer motivates them to invest the time and resources necessary to provide us with superior underwriting information.

## CLIENT SERVICE AND INNOVATIVE PRODUCTS

We pay attention to the specific needs of each client, rather than try to sell an "off the shelf" product appropriate for an "average" customer. Some customers are sophisticated buyers and know precisely what type of reinsurance they wish to purchase. Others have fewer internal resources and seek assistance in designing solutions to their property exposure management problems. In either case, we must understand their needs to properly serve them.

In order to thoroughly understand the client's exposures, detailed underwriting information is shared, often over several years. We go over this information with our clients, discussing their exposure management techniques in detail. We often assist them in interpreting the results of studies given to them by catastrophe exposure modeling vendors. As a result of this sharing of information and ideas, we develop strong relationships with our clients. We have the ability to differentiate between a prospect or client that does a good job managing their catastrophe exposure and one that does not. Clients want to do business with reinsurers that demonstrate this capability and are able to suggest alternative methods of exposure management.

Once we understand the client's needs, we respond to those needs quickly and thoughtfully. REMS is an extremely useful tool for our experienced underwriters. After underwriting information has been reviewed by our underwriters and entered into REMS, appropriate alternative reinsurance structures can be designed and priced, with speed that is unmatched in the industry.

We have broadened our product offerings to better serve our clients by providing innovative solutions to their property exposure management needs. An example of such a product is an aggregate freeze loss reinsurance contract. This contract protects the client against abnormally high freeze losses occurring during a specified period. "Off the shelf" vendor models do not include information necessary to enable a reinsurance underwriter to accurately price such a product. We have developed this capability which is at our underwriter's disposal in REMS.

Clients and brokers increasingly wish to do business with fewer well-capitalized specialist reinsurers. RenaissanceRe has the financial strength and the willingness to provide substantial capacity on attractive programs. In 1996, we wrote several programs with limits greater than \$10 million, with the largest limit provided being just under \$35 million. During the year, we received a rating of "A" by A. M. Best and Standard & Poor's. These developments reinforced clients' confidence in our ability to pay claims quickly and remain committed to provide reinsurance capacity over a long period of time.

#### A GLOBAL BUSINESS

RenaissanceRe diversifies property exposures geographically. We currently write approximately 60% of our business in the United States by design. There is strong demand for our products and services in the U.S. and we receive the best underwriting information from our U.S. clients.

Our U.S. book of business is more heavily weighted to regional accounts which gives us a high level of diversification. The value of this diversification to us is discussed in the "Measuring Insurance Risk" section. Our U.S. strategic marketing focus from the time the company was formed was to work closely with regional companies to assure maximum diversification. We have also been successful developing a diversified book of business providing limited territory coverage for nationwide writers.

Approximately 40% of our business is located outside of the U.S. Of our international book, our largest market is the United Kingdom, followed by Continental Europe, Japan and Australia/New Zealand. Similar to the U.S., demand for our products and services is high in the United Kingdom and the underwriting information is good and improving.

Premiums By Geographic Area  
(as of December 31, 1996)

[PIE CHART]

#### RETROCESSIONAL BUSINESS

A retrocession is reinsurance issued to another reinsurance company. RenaissanceRe continues to be one of the leading retrocessional writers in the world. The supply of retrocessional capacity is much smaller than the supply of primary reinsurance capacity, creating a "niche" within the property catastrophe field. Often, the underwriting information provided is not as detailed as we would like, so our authorization ratio is low. However, our REMS system provides us with a unique capability to utilize valuable underwriting data from the retrocession client's (known as a retrocedant) own underwriting data, enabling us to evaluate this business with the same rigor as primary reinsurance. This capability effectively allows us to "drill down" to the detailed exposure data provided to them by their primary insurance company clients. REMS is invaluable in demonstrating to the retrocedant that we differentiate based upon exposures, when underwriting their account.

#### TRADITIONAL VALUES

The reinsurance business continues to change and evolve. We are very much a part of this process, bringing new technology to the property catastrophe reinsurance business. At RenaissanceRe we add the traditional values of responsive service, respect for the customer, outstanding security, and integrity to this innovative technology. It is this combination that makes RenaissanceRe unique.

## CAPITAL MANAGEMENT

- IN JANUARY, CAPITALIZED GLENCOE INSURANCE LTD., WITH \$50 MILLION.
- IN JANUARY, INCREASED THE COMPANY'S CREDIT FACILITY TO \$150 MILLION.
- IN FEBRUARY, COMPLETED A SECONDARY OFFERING OF 3 MILLION COMMON SHARES.
- IN FEBRUARY, INCREASED THE COMMON SHARE DIVIDEND 25 PERCENT TO 20 CENTS PER QUARTER.
- IN APRIL, ASSIGNED AN "A" (EXCELLENT) RATING FROM A.M. BEST COMPANY.
- IN JUNE, LISTED ON THE NEW YORK STOCK EXCHANGE.
- IN OCTOBER, ASSIGNED AN "A" RATING FROM STANDARD & POOR'S CORPORATION.
- IN DECEMBER, INCREASED THE COMPANY'S CREDIT FACILITY TO \$200 MILLION.
- IN DECEMBER, INITIATED THE REPURCHASE OF 2.9 MILLION COMMON SHARES.
- FOR THE YEAR, ACHIEVED A RETURN ON EQUITY OF 30.2 PERCENT.

The goal of capital management is to assure unquestioned claims-paying ability for our clients, while at the same time assuring attractive returns for our shareholders. Clearly this involves trade-offs, which can be assessed more fully with sophisticated analytical tools. During 1996, RenaissanceRe completed a state-of-the-art, multi-currency, asset-liability optimization model. This model was developed in conjunction with Tillinghast and Falcon Asset Management, and utilizes liability data provided by REMS. It enables further integration of our liability, asset and capital decisions.

### CAPITAL MANAGEMENT STRATEGY

RenaissanceRe continues to accomplish its capital management goal by following the three principles discussed in last year's annual report.

- First, like all insurance enterprises, capital is needed to support our underwriting activities. At RenaissanceRe, the required amount of capital is measured precisely and continuously utilizing REMS. Each underwriting decision is made in a portfolio context based on the incremental capital required. This disciplined approach integrates our capital management and underwriting decisions.
- Second, capital invested in the business is matched to the capital needs generated by our underwriting activities.
- Third, the Company seeks access to the full breadth of the capital markets to assure our capital structure is the most efficient available.

### 1996: A TRANSITIONAL YEAR

For its first three years of operations, RenaissanceRe was capital constrained and accessed the capital markets to build capital. The Company's need for capital in its principal business, property catastrophe reinsurance, grew modestly in 1996, even though premiums declined. This is because the Company matches capital to exposure, not to premium, and in a declining price environment more capital is needed to support each premium level. The combination of the Company's excellent earnings, and the small growth in capital needed to support our property catastrophe business, caused a transition to a surplus capital position in 1996.

### CAPITAL MANAGEMENT PROCESS

The Company follows a three-step process in managing its capital position.

1. Our preference is to reinvest in our core business, property catastrophe underwriting, to support a growing portfolio and to fund investments that fortify our long-term market position.
2. We look to deploy capital in new business/acquisition opportunities that meet the following criteria:
  - The opportunity must have the potential to generate an attractive return on equity.
  - RenaissanceRe must understand and be able to provide a competitive advantage to the business.
  - The opportunity must not divert focus from our existing businesses.

One new business opportunity met all three criteria for business opportunities last year, Glencoe Insurance Ltd. Glencoe is a Bermuda-based insurer. Its business goal is to utilize RenaissanceRe's underwriting, marketing and capital management skills in the primary insurance marketplace. It writes "catastrophe exposed property" business, which is property insurance where the main exposure is a catastrophe peril.

Glencoe achieved several significant goals in 1996:

- Licensed to do business in California.
- Minority investments closed with two New York Stock Exchange-listed, value-adding organizations.
- Full initial staff recruited.
- Excellent market reception.
- Profitable for first year of operation.

Glencoe did not achieve its premium or return on equity goals, however.

Despite modestly higher capital needs in our core business and our investment in Glencoe, RenaissanceRe generated excess capital in 1996.

### 3. Return excess capital to shareholders.

At the end of the year the Company commenced a \$100 million share repurchase program to return capital. In December 1996, the Company repurchased 2.1 million of its Common Shares at a price of \$34.50 per Common Share for approximately \$72 million from its founding institutional shareholders in a private transaction. In January 1997, the Company repurchased 0.8 million of its Common Shares at a price of \$34.50 per Common Share, for approximately \$28 million in a public tender offer. These actions were in line with our capital management principles, and the Company's goal of maximizing return on equity. The Company's capital grew in 1996 after giving effect to both repurchases and is sufficient, in conjunction with the Company's access to the capital markets, to support anticipated 1997 business activity.

### CLAIMS RATINGS

The Company's ability to demonstrate unquestioned claims-paying ability was ratified by two major rating agencies in 1996. Renaissance Reinsurance Ltd. received "A" claims-paying ability ratings from both A. M. Best and Standard & Poor's.

### RETROCESSIONAL COVERAGE

During 1996, the Company increased its utilization of retrocessional coverage, which is purchased to protect the Company's capital position in the event of a major catastrophe or series of catastrophes.

Glencoe Insurance Ltd., purchased its initial reinsurance program in the second half of 1996 to begin establishing its access to the reinsurance marketplace.

These coverages enhance the Company's capital stability and improve its capability to actively underwrite after a major catastrophe.

### INVESTMENT PHILOSOPHY AND MANAGEMENT

As a result of analyses generated by the multi-currency, asset/liability model completed in 1996 the Company is establishing a \$50 million allocation to publicly-traded equity securities for implementation in 1997, and is modestly increasing the credit and duration risk it is allowing its fixed income managers to undertake. Based on the analyses generated, these actions require little incremental capital, and increase the Company's expected return on equity.

## MEASURING INSURANCE RISK

The insurance business is built on the principle of shifting financial risk from the insured to the insurer. This section explores how insurance companies generally, and RenaissanceRe specifically, make decisions about and price that risk. We will focus on the risk that our shareholders' equity fluctuates (rather than our stock price, which can reflect many additional influences).

These risks are usually broken into three categories:

1. ASSET RISK - the fluctuation in the value of the assets that we hold.
2. INSURANCE (OR LIABILITY) RISK - fluctuations in insured claim amounts.
3. BUSINESS RISK - risks from changes in the market conditions; loss of key clients; loss of key employees, etc.

We explicitly model categories 1 & 2 (and much of management time is devoted to considering and dealing with category 3); but for now we will look only at risk #2 - insurance risk. Modeling insurance risk in the property catastrophe business is, in many ways, an easier problem than for a traditional multi-line insurer or reinsurer because our losses will normally be caused by major events (usually hurricanes and earthquakes). In last year's report we described how these events can be modeled; now we will look at translating these modeled probabilities into financial decisions.

The first question is, "what rate of return do we require to put our capital at risk?", (i.e., our hurdle rate). Our mission statement affirms that this must be an attractive one to our shareholders.

The second question is, given our current capital position, how much insurance risk should we take, or equivalently, "how much capital is required to support a given portfolio of risk?". Using the catastrophe models, we can estimate a probability distribution of possible loss outcomes; by combining the loss distribution with premiums, expenses, etc., we get a probability distribution of our net worth. The next step is to establish capital rules. We use several different rules, but most of them are based on what portion of our capital we are willing to risk to events or combinations of events at certain probability levels. For example, we are willing to expose a larger portion of our capital base to a 1 in 100 year event than we would be to a 1 in 20 year event, etc.

The final question is, "how should we price and select individual reinsurance contracts to construct a portfolio of business that meets our hurdle rate?". The approach that we take in our REMS system - as shown in the chart - is to rerun the entire portfolio both with and without the new contract; this enables us to calculate the marginal impact of the contract on both the expected profit and the required capital of the portfolio, to calculate a marginal return on capital (i.e., expected profit divided by required capital).

[FLOWCHART]

This process leads directly to an underwriting discipline to select those contracts with marginal returns on capital above the hurdle rate. This is how we implement the section of our mission statement calling for a portfolio "significantly better than the market average."

One of the powerful benefits of this approach is the way it integrates capital management with the individual underwriting process. Theoretically we should write every contract available in the market that meets our hurdle rate requirements. These contracts taken together comprise our portfolio, on which we calculate required capital. If required capital exceeds actual capital, then we should add to capital (assuming that we have set our hurdle rate higher than our cost of incremental capital). This is why we continually added to our initial \$141 million capital from June of 1993 until 1996. This year, when our actual capital exceeded what we could responsibly deploy, based on reinsurance market conditions, we initiated our recent share buybacks.

An additional step is looking at this process from our clients' points of view. When they reinsure risk, they free-up capital in trade for paying a fixed premium. By analyzing their portfolio before and after the transaction, we can calculate their expected cost of this freed-up capital (assuming that they apply similar rules for required capital). The key point is that because the risk that they are reinsuring is closely related (highly correlated) with their entire portfolio, removing it will free up a relatively large amount of capital. The risk we take on is less closely related to our portfolio (less correlated) and therefore uses less capital (even though we are both using similar risk-bearing rules on our entire portfolios). The expected profit to us is the same as the expected cost to them, so the return on capital for us can be substantially higher than the cost of capital generated for the client -- a win-win transaction (and the basic theoretical justification for the existence of the insurance business).

Of course, this discussion oversimplifies the process. It is a significant practical challenge to design a system that is fast and simple enough for underwriters to use, while being complex enough to reflect all major decision variables. We also must remember that model results are only estimates of the likelihood of future events; they are not "facts."

Finally, the best system in the world would not add to shareholder value if it is not effectively used in the day-to-day decision-making process. This means selecting and training our underwriters not only to use the models all the time, but to understand the models' internal assumptions and weaknesses well enough to know how much weight to put on model results in each underwriting decision.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

GENERAL

The Company provides property catastrophe reinsurance as well as other reinsurance to selected insurers and reinsurers on a worldwide basis through its wholly-owned subsidiary, Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), and catastrophe exposed primary insurance through its majority-owned subsidiary, Glencoe Insurance Ltd. ("Glencoe"). The Company's results depend to a large extent on the frequency and severity of catastrophic events, and the concentration and coverage offered to clients impacted thereby. The Company adheres to strict underwriting guidelines and surplus constraints to deploy its capital in those regions and on programs where the Company believes the return on its capital will be maximized. The Company manages its capital deployment through the use of modeling techniques which assist the Company's underwriters in selecting risks that the Company believes will provide the maximum return on shareholders' equity. The Company's proprietary models assist its underwriters in estimating the impact of a wide range and combination of possible future property catastrophe events on the Company's results of operations and financial condition. Because of the wide range and potential combination of these events, the Company's business is volatile and its results of operations and financial condition will reflect this volatility.

While property catastrophe reinsurance represented approximately 95% of the Company's gross written premiums in 1996 and 1995 and is the Company's primary focus, the Company may seek to take advantage of perceived opportunities in other insurance and reinsurance markets.

RESULTS OF OPERATIONS

Year ended December 31, 1996 compared to year ended December 31, 1995

For the year ended December 31, 1996, net income available to Common Shareholders was \$156.2 million compared to \$162.8 million for the year ended December 31, 1995. The decrease was primarily due to a decrease in gross premiums written, an increase in ceded reinsurance premiums and an increase in operating expenses, which were partially offset by an increase in net investment income. The above factors, combined with an 8% increase in the weighted average shares outstanding, after completion of the initial public offering of 3,105,000 Common Shares in July 1995 (the "Initial Public Offering"), resulted in a decrease in earnings per Common Share to \$6.01 for the year ended December 31, 1996 from \$6.75 for the year ended December 31, 1995.

Gross premiums written for the year ended December 31, 1996 decreased 7.8% to \$269.9 million from \$292.6 million for the year ended December 31, 1995. The decline in the gross premiums written was primarily related to the competitive market for property catastrophe reinsurance. The principal components of the decline related to a decrease in premiums from renewing business of 8.8%, an 11.8% decrease in premiums due to the Company not renewing coverage, and a decrease in reinstatement premiums of 1.3%, which was partially offset by a 14.1% increase in premiums related to new business.

Ceded premiums written were \$18.3 million for the year ended December 31, 1996 compared to \$2.7 million for the year ended December 31, 1995. Net premiums written were \$251.6 million for the year ended December 31, 1996 compared with \$290.0 million for year ended December 31, 1995.

During 1996, the Company increased its utilization of retrocessional coverage, which is purchased to protect the Company's capital position in the event of a major catastrophe or a series of catastrophes. The Company anticipates that its utilization of retrocessional coverage will increase in 1997.

Approximately 95% of the Company's gross premiums written in 1996 were in respect of property catastrophe reinsurance. The remaining gross premiums written in 1996 consisted primarily of aviation and marine coverages. The Company's gross premiums written (in thousands) by geographic region were:

YEARS ENDED DECEMBER 31,	1996	1995
-----		
GEOGRAPHIC AREA		
United States	\$126,611	\$144,077
Worldwide	44,460	59,137
Worldwide (excluding U.S.)	38,746	41,311
Europe (including the United Kingdom)	31,534	25,365
Other	18,958	11,720
Australia and New Zealand	9,604	10,997
-----		
TOTAL GROSS PREMIUMS WRITTEN	\$269,913	\$292,607
-----		

The category "Worldwide (excluding U.S.)" consists of contracts that cover more than one geographic zone (other than the U.S.). The exposure in this category for gross premiums written to date is predominately from Europe and Japan. See Note 11 to Consolidated Financial Statements.

The table below sets forth the Company's combined ratio and components thereof:

YEARS ENDED DECEMBER 31,	1996	1995
-----		
Claims/claim adjustment expense ratio	34.3%	38.3%
Underwriting expense ratio	17.0	13.7
-----		
COMBINED RATIO	51.3%	52.0%
-----		

Claims and claim adjustment expenses for the year ended December 31, 1996 were \$86.9 million. Included in the expenses for the year are provisions of \$15 million for claims incurred from Hurricane Fran which struck North Carolina during the third quarter of 1996, \$9.3 million for claims incurred by regional midwestern clients related to the severe wind and hail storms during the second quarter of 1996, \$8.3 million for losses related to the Northeast U.S. winter storms in the first quarter of 1996, and \$7.0 million for Northwestern U.S. floods in December of 1996. Also, during 1996, there was \$12.1 million of development on prior year losses, which primarily related to a \$3.2 development on losses related to the 1994 Northridge Earthquake and a net development of \$3.5 million for Hurricanes Luis, Marilyn and Opal which occurred in 1995. In comparison, claims and claim adjustment expenses for the year ended December 31, 1995 were \$110.6 million or 38.3 percent of net premiums earned.

Estimates of claims and claim adjustment expenses are based in part upon the prediction of claims resulting from catastrophic events. Estimation by the Company of claims resulting from catastrophic events based upon its own historical claim experience is inherently difficult because of the Company's short operating history and the severity of property catastrophe claims. Therefore, the Company utilizes both proprietary and commercially available models, as well as historical reinsurance industry property catastrophe claims experience, for purposes of evaluating future trends and providing an estimate of ultimate claims costs.



Underwriting expenses (consisting of brokerage commissions, excise taxes and other costs directly related to underwriting reinsurance contracts) for the year ended December 31, 1996 were 17.0% of net premiums earned, compared to 13.7% for the year ended December 31, 1995. The primary contributors to the increase in underwriting expense ratios were lower net earned premium and additional operating costs related to the hiring of additional professional staff.

Net investment income (excluding net realized investment gains and losses) for the year ended December 31, 1996 was \$44.2 million, compared to \$32.3 million for the year ended December 31, 1995. The increase in investment income resulted primarily from the increase in the amount of invested assets which was primarily the result of the cash flow provided by operating activities and increased borrowings under the Company's Revolving Credit Facility. The Company's investment portfolio at December 31, 1996 had an average yield on fair value of 6.14% before investment management expenses. The Company recorded net realized losses of \$2.9 million on the sale of investments compared to net realized gains of \$2.3 million for the year ended December 31, 1995.

The Company's cash and cash equivalents at December 31, 1996 included \$25.3 million of investments in currencies other than the U.S. dollar, representing approximately 3.2% of the Company's invested assets. The remaining 96.8% of the Company's invested assets were in U.S. dollar denominated foreign investments.

The Company realized net foreign exchange gains for each of the years ended December 31, 1996 and 1995 of \$.8 million and \$3.0 million, respectively. The exchange gains in 1996 resulted primarily from the weakening of the U.S. dollar against the Great Britain pound, and in 1995 resulted from the weakening of the U.S. dollar against most European currencies, the Japanese yen and the Australian dollar. The Company's foreign currency policy is to hold foreign currency amounts equal to estimated net foreign currency liabilities. In addition, the Company maintains foreign currency assets in anticipation of future potential foreign currency fluctuations that may arise from potential future claims liabilities. All changes in the exchange rates are recognized currently on the Company's income statement. As a result of the Company's exposure to foreign currency fluctuations, it is anticipated that during periods in which the U.S. dollar appreciates, the Company will likely recognize foreign exchange losses.

Year ended December 31, 1995 compared to year ended December 31, 1994

Net income available to Common Shareholders increased 68.9% to \$162.8 million for the year ended December 31, 1995 from the \$96.4 million reported for the year ended December 31, 1994, primarily due to an increase in underwriting profit and higher net investment income. The increase in underwriting profit was the result of increased net premiums earned in conjunction with a lower combined ratio. The increase in net investment income resulted from an increase in invested assets at a slightly higher investment yield. Because of the increased net premiums earned and net investment income, total revenues increased to \$326.6 million for the year ended December 31, 1995, compared to \$261.4 million for the year ended December 31, 1994. Earnings per share increased to \$6.75 for the year ended December 31, 1995 from \$4.24 for the year ended December 31, 1994. Primarily as a result of the Company's Initial Public Offering, weighted average Common Shares outstanding increased to 24.1 million for the year ended December 31, 1995 from 22.8 million for the year ended December 31, 1994.

Gross premiums written for the year ended December 31, 1995 increased 7.0% to \$292.6 million from \$273.5 million for the year ended December 31, 1994. The principal components of the \$19.1 million increase in premiums written were a \$44.4 million increase in premiums written from new clients and a \$19.9 million increase in premiums written from adjustments in coverage, terms, conditions and pricing with clients that renewed coverage with the Company, offset by a \$43.3 million decrease in premiums written due to the Company not renewing coverage and a \$1.9 million decrease in reinstatement premium. Net premiums earned for the year ended December 31, 1995 increased 19.0% to \$288.9 million from \$242.8 million for the year ended December 31, 1994. Reinstatement premiums for the year ended December 31, 1995 were \$17.0 million, compared to \$18.9 million for the year ended December 31, 1994.

Approximately 95% of the Company's gross premiums written in 1995 were in respect of property catastrophe reinsurance. The remaining gross premiums written in 1995 consisted primarily of aviation and marine coverages. The Company's gross premiums written (in thousands) by geographic region were:

YEARS ENDED DECEMBER 31,	1995	1994
-----		
GEOGRAPHIC AREA		
United States	\$144,077	\$129,246
Worldwide	59,137	50,805
Worldwide (excluding U.S.)	41,311	38,534
Europe (including the United Kingdom)	25,365	26,062
Other	11,720	19,200
Australia and New Zealand	10,997	9,634
-----		
TOTAL GROSS PREMIUMS WRITTEN	\$292,607	\$273,481
-----		

The category "Worldwide (excluding U.S.)" consists of contracts that cover more than one geographic zone (other than the U.S.). The exposure in this category for gross premiums written to date is predominately from Europe and Japan. See Note 11 to Consolidated Financial Statements.

The table below sets forth the Company's combined ratio and components thereof:

YEARS ENDED DECEMBER 31,	1995	1994
-----		
Claims/claim adjustment expense ratio	38.3%	47.0%
Underwriting expense ratio	13.7	14.6
-----		
COMBINED RATIO	52.0%	61.6%
-----		

Claims and claim adjustment expenses for the year ended December 31, 1995 were \$110.6 million. Hurricane Marilyn, which struck several Caribbean islands, resulted in claims of \$14.3 million, the Company's largest claim incurred for 1995. Other events that caused claims of more than \$7.0 million were the destruction of a factory by a fire in January 1995, Hurricane Opal, which struck the Florida panhandle and continued northward through the mid-Atlantic states, Hurricane Luis, which struck several Caribbean islands, Texas hailstorms in April 1995, flooding in Norway in June 1995 and additional claims related to the 1994 Northridge, California earthquake.

Underwriting expenses for the year ended December 31, 1995 were 13.7% of premium earned, compared to 14.6% for the year ended December 31, 1994.

Net investment income (excluding net realized investment gains and losses) for the year ended December 31, 1995 was \$32.3 million, compared to \$14.9 million for the year ended December 31, 1994. The increase in investment income resulted primarily from the increase in the amount of invested assets. The increase in invested assets in 1995 from 1994 was primarily the result of cash flow provided by operating activities, prior borrowings under the Revolving Credit Facility and the net proceeds of the Initial Public Offering, partially offset by the retirement of the Company's Series B 15% Cumulative Redeemable Voting Preference Shares, par value \$1.00 per share (the "Series B Preference Shares"). The Company realized gains on sales of investments of \$2.3 million for the year ended December 31, 1995, compared to \$0.2 million for the year ended December 31, 1994. The Company's investment portfolio at December 31, 1995 had an average yield on fair value of 6.09% before investment management expenses.

The Company's cash and cash equivalents at December 31, 1995 included \$29.5 million of investments in currencies other than the U.S. dollar, representing approximately 4.4% of the Company's invested assets. The remaining 95.6% of the Company's invested assets were in U.S. dollar denominated foreign investments.

The Company realized net foreign exchange gains for each of the years ended December 31, 1995 and 1994 of \$3.0 million. The exchange gains in 1995 and 1994 resulted from the weakening of the U.S. dollar against most European currencies, the Japanese yen and the Australian dollar.

#### LIQUIDITY AND CAPITAL RESOURCES

In December 1996, the Company repurchased 2.1 million of its Common Shares from the founding institutional investors at \$34.50 per share, or \$72 million. Subsequently, in December 1996, the Company initiated and in January 1997 the Company completed a fixed price tender offer and repurchased .8 million shares from the public shareholders at \$34.50 per share, or \$28 million.

#### ASSET QUALITY OF FIXED MATURITY PORTFOLIO (as of December 31, 1996)

[PIE CHART]

On December 12, 1996, the Company amended and restated its Revolving Credit Facility with a syndicate of commercial banks. The amended and restated credit facility provides for the borrowing of up to \$200 million on terms generally extended to prime borrowers, at an interest rate, at the Company's option, of either the base rate of the lead bank or the LIBOR rate plus a spread ranging from 25 to 50 basis points. The full amount of the Revolving Credit Facility is available until December 1, 1999 with two optional one year extensions, if requested by the Company and approved by the lenders. As of December 31, 1996, \$150 million was outstanding under this agreement.

The credit agreement limits the payment of dividends by the Company to the amount by which the Company's total shareholders' equity exceeds \$300 million and requires, among other things, that various financial maintenance tests be met over the term of the agreement. See Note 6 to Consolidated Financial Statements.

In July 1995, the Company completed the Initial Public Offering of its Common Shares. The net proceeds of approximately \$54.3 million were used to reduce the Company's then outstanding borrowings under the Revolving Credit Facility and for general corporate purposes.

Cash flows from operating activities resulted principally from premium income, net of paid losses, acquisition costs and other related expenses and investment income. The Company is unable to predict its cash flows from operating activities, as it may be required to make large catastrophe claims payments to its clients. As a consequence, cash flows from operating activities may fluctuate between individual quarters and years.

Primarily because of the potential for large claims payments, the Company's investment portfolio is structured to provide a high level of liquidity. The table below shows (in thousands) the aggregate amounts of investments available for sale and cash, cash equivalents and short-term investments comprising the Company's portfolio of invested assets.

YEARS ENDED DECEMBER 31,	1996	1995
Investments available for sale at fair value	\$603,484	\$523,848
Cash, cash equivalents, and short-term investments	198,982	144,151
<b>TOTAL INVESTED ASSETS</b>	<b>\$802,466</b>	<b>\$667,999</b>

The Company's current investment guidelines call for the invested asset portfolio, including cash and cash equivalents, to have at least an AA rating as measured by Standard & Poor's Ratings Group ("S&P"). At December 31, 1996, the invested asset portfolio had an average rating of AA, and an average duration of 1.25 years.

The Company's investment portfolio consists of debt securities with fixed maturities and short-term investments denominated solely in U.S. dollars and cash and cash equivalents denominated in U.S. dollars and currencies other than U.S. dollars. The portfolio does not contain any direct investments in real estate or mortgage loans.

All fixed income securities in the Company's investment portfolio are classified as securities available for sale and are carried at fair value. Any unrealized gains or losses as a result of changes in fair value over the period such investments are held are not reflected in the Company's statement of operations, but rather are reflected in shareholders' equity. See Notes 2 & 3 to Consolidated Financial Statements.

The growth in the Company's portfolio of invested assets for the year ended December 31, 1996 resulted from net cash provided by operating activities of \$174.8 million offset by net cash used in financing activities of \$44.8 million. For the year ended December 31, 1995 net invested assets increased as a result of cash provided by operating activities of \$195.2 million and cash provided by financing activities of \$29.9 million.

During 1996, the Company developed a multi-currency asset/liability optimization model in conjunction with Tillinghast and Falcon Asset Management to integrate asset, liability and capital decisions. As a result of this study, it was determined that the Company could diversify its investment portfolio to include investments in common stocks with minimal increase in overall corporate risk. The analysis showed that the diversification benefits of equities offset their greater volatility, and therefore, would not require significant additional capital. During 1997 the Company intends to reallocate \$50 million of its fixed maturity portfolio to equity securities.

As a holding company, the Company relies on cash dividends and other permitted payments from its subsidiaries to make principal and interest payments on outstanding indebtedness of the Company and to pay cash dividends, if any, to the Company's shareholders. The payment of dividends by the Company's subsidiaries to the Company is limited under Bermuda law and regulations, including Bermuda insurance law. The Insurance Act, 1978, amendments thereto and related regulations of Bermuda, requires the Company's subsidiaries to maintain minimum solvency margins and minimum liquidity ratios and prohibits dividends which would result in a breach of these requirements. Under the Act, Renaissance Reinsurance is classified as a Class 4 insurer, and as such, dividend payments are limited to 25% of the prior years' statutory capital and surplus, unless the directors of Renaissance Reinsurance attest that a dividend in excess of this amount would not cause Renaissance Reinsurance to fail to meet its relevant margins. During 1996 Renaissance Reinsurance paid aggregate cash dividends of \$135.6 million to the Company. See Notes 7 and 14 to Consolidated Financial Statements.

In January 1996, the Company capitalized a new subsidiary, Glencoe, with a \$50.0 million capital contribution. In June 1996 the Company sold a 29.9% interest in Glencoe to certain strategic investors, in a private placement. The amounts related to the interests of these strategic investors is reflected as minority interest on the Consolidated Balance Sheet at December 31, 1996.

Under the terms of certain reinsurance contracts, the Company may be required to provide letters of credit to reinsureds in respect of reported claims and/or unearned premiums. The Company has obtained a facility providing for the issuance of letters of credit. This facility is secured by a lien on a portion of the Company's investment portfolio. At December 31, 1996 and 1995, the Company had outstanding letters of credit aggregating \$62.1 million and \$58.5 million, respectively.

Neither the Company nor its subsidiaries have material commitments for capital expenditures. Based on its current operating plans, the Company believes that its liquidity will be adequate in both the short term and the long term.

#### CURRENCY

The Company's functional currency is the U.S. dollar. The Company writes a substantial portion of its business in currencies other than U.S. dollars and may, from time to time, experience significant exchange gains and losses and incur underwriting losses in currencies other than U.S. dollars, which will in turn affect the Company's financial statements. See Note 2 to Consolidated Financial Statements.

The Company maintains a portion of its foreign currency premiums in the original currency cash investments in anticipation of actual and potential claims.

#### EFFECTS OF INFLATION

The effects of inflation on the Company are implicitly considered in pricing and estimating reserves for unpaid claims and claim adjustment expenses. The actual effects of inflation on the results of the Company cannot be accurately known until claims are ultimately settled.

CONSOLIDATED BALANCE SHEETS

RenaissanceRe Holdings Ltd. and Subsidiaries

AT DECEMBER 31, (expressed in thousands of United States dollars, except per share amounts)	1996	1995
<b>ASSETS</b>		
Investments available for sale, at fair value (amortized cost \$601,907 and \$521,149, at December 31, 1996 and 1995, respectively) (Note 3)	\$ 603,484	\$ 523,848
Short-term investments (Note 3)	--	4,988
Cash and cash equivalents	198,982	139,163
Reinsurance premiums receivable	56,685	62,773
Ceded reinsurance balances	19,783	2,027
Accrued investment income	13,913	14,851
Deferred acquisition costs	6,819	6,163
Other assets	5,098	3,247
<b>TOTAL ASSETS</b>	<b>\$ 904,764</b>	<b>\$ 757,060</b>
<b>LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Reserve for claims and claim adjustment expenses (Note 5)	\$ 105,421	\$ 100,445
Reserve for unearned premiums	65,617	60,444
Bank loan (Note 6)	150,000	100,000
Reinsurance balances payable	18,072	7,254
Other	4,215	2,581
<b>TOTAL LIABILITIES</b>	<b>343,325</b>	<b>270,724</b>
<b>MINORITY INTERESTS</b>	<b>15,236</b>	<b>--</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 15)</b>		
<b>SHAREHOLDERS' EQUITY (NOTES 7 AND 9)</b>		
Common Shares: \$1 par value-authorized 200,000,000 shares issued and outstanding at December 31, 1996 - 23,530,616 shares (1995 - 25,605,000 shares)	23,531	25,605
Additional paid-in capital	102,902	174,370
Loans to officers and employees (Note 13)	(3,868)	(2,728)
Net unrealized appreciation on investments (Note 3)	1,577	2,699
Retained earnings	422,061	286,390
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>546,203</b>	<b>486,336</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>\$ 904,764</b>	<b>\$ 757,060</b>
<b>BOOK VALUE PER COMMON SHARE</b>	<b>\$ 23.21</b>	<b>\$ 18.99</b>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

RenaissanceRe Holdings Ltd. and Subsidiaries

YEARS ENDED DECEMBER 31, (expressed in thousands of United States dollars, except per share amounts)	1996	1995	1994
<b>REVENUES:</b>			
Gross premiums written	\$ 269,913	\$ 292,607	\$ 273,481
Net premiums written	\$ 251,564	\$ 289,928	\$ 269,954
Decrease (increase) in unearned premium	1,264	(1,042)	(27,192)
Net premiums earned	252,828	288,886	242,762
Net investment income (Note 3)	44,170	32,320	14,942
Foreign exchange gains	789	3,045	3,001
Net realized gains (losses) on sale of investments (Note 3)	(2,938)	2,315	246
Other insurance fees	--	--	441
<b>TOTAL REVENUES</b>	<b>294,849</b>	<b>326,566</b>	<b>261,392</b>
<b>EXPENSES:</b>			
Claims and claim expenses incurred (Note 5)	86,945	110,555	114,095
Acquisition costs	26,162	29,286	25,653
Operational expenses	16,731	10,448	9,725
Corporate expenses	2,298	4,531	2,429
Interest expense	6,553	6,424	192
<b>TOTAL EXPENSES</b>	<b>138,689</b>	<b>161,244</b>	<b>152,094</b>
Income before income taxes	156,160	165,322	109,298
Income tax expense (Note 10)	--	--	--
Net income	156,160	165,322	109,298
Net income allocable to Series B Preference Shares	--	2,536	12,879
Net income available to Common Shareholders	\$ 156,160	\$ 162,786	\$ 96,419
<b>NET INCOME PER COMMON SHARE</b>	<b>\$ 6.01</b>	<b>\$ 6.75</b>	<b>\$ 4.24</b>

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

RenaissanceRe Holdings Ltd. and Subsidiaries

YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994	SERIES A PREFERENCE SHARES	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	LOANS TO OFFICERS AND EMPLOYEES	NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
BALANCE, DECEMBER 31, 1993	\$ 141,200	\$ 1	--	--	\$ (11)	\$ 31,281	\$ 172,471
Net income	--	--	--	--	--	109,298	109,298
Income allocated to Series B Preference Shares	--	--	--	--	--	(12,879)	(12,879)
Net unrealized depreciation of investments	--	--	--	--	(3,643)	--	(3,643)
BALANCE, DECEMBER 31, 1994	141,200	1	--	--	(3,654)	127,700	265,247
Net income	--	--	--	--	--	165,322	165,322
Income allocated to Series B Preference Shares	--	--	--	--	--	(2,536)	(2,536)
Net unrealized appreciation of investments	--	--	--	--	6,353	--	6,353
Conversion of Series A Preference Shares	(141,200)	14,025	\$ 127,175	--	--	--	--
Exercise of options, share grants and related items	--	974	3,506	--	--	--	4,480
Stock dividend to Common Shareholders	--	7,500	(7,500)	--	--	--	--
Issuance of Common Shares	--	3,105	51,189	--	--	--	54,294
Loans to officers and employees	--	--	--	\$ (2,728)	--	--	(2,728)
Dividends declared and paid to Common Shareholders (Note 9)	--	--	--	--	--	(4,096)	(4,096)
BALANCE, DECEMBER 31, 1995	--	25,605	174,370	(2,728)	2,699	286,390	486,336
Net income	--	--	--	--	--	156,160	156,160
Net unrealized depreciation of investments	--	--	--	--	(1,122)	--	(1,122)
Repurchase of Common Shares	--	(2,085)	(71,375)	--	--	--	(73,460)
Exercise of options and related items	--	11	(93)	--	--	--	(82)
Dividends declared and paid to Common Shareholders (Note 9)	--	--	--	--	--	(20,489)	(20,489)
Loans to officers and employees	--	--	--	(1,140)	--	--	(1,140)
BALANCE, DECEMBER 31, 1996	\$ --	\$ 23,531	\$ 102,902	\$ (3,868)	\$ 1,577	\$ 422,061	\$ 546,203

See accompanying notes to the consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS

RenaissanceRe Holdings Ltd. and Subsidiaries

YEARS ENDED DECEMBER 31, (expressed in thousands of United States dollars)	1996	1995	1994
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:</b>			
Net income	\$ 156,160	\$ 165,322	\$ 109,298
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	296	548	511
Realized loss (gain) on sale of investments, net	2,938	(2,315)	(246)
Minority share of income	110	--	--
Reinsurance balances, net	16,906	(5,440)	(22,840)
Ceded reinsurance balances	(17,756)	(1,293)	(734)
Accrued investment income	938	(6,117)	(7,286)
Reserve for unearned premiums	5,173	1,043	27,926
Reserve for claims and claim adjustment expenses	4,976	37,177	62,286
Non-cash compensation and other (income) charges	(354)	3,480	750
Other, net	5,430	2,802	3,036
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>174,817</b>	<b>195,207</b>	<b>172,701</b>
<b>CASH FLOWS APPLIED TO INVESTING ACTIVITIES:</b>			
Proceeds from maturities and sales of investments	317,582	268,575	118,759
Purchase of investments available for sale	(404,888)	(579,764)	(201,218)
Net sales (purchases) of short-term investments	4,988	72,547	(71,542)
Purchase of furniture and equipment	(2,989)	(349)	(371)
Proceeds from sale of minority interest in Glencoe	15,126	--	--
<b>NET CASH APPLIED TO INVESTING ACTIVITIES</b>	<b>(70,181)</b>	<b>(238,991)</b>	<b>(154,372)</b>
<b>CASH FLOWS PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES:</b>			
Repurchase of Common Shares	(73,460)	--	--
Proceeds from issue of Common Shares	--	54,496	--
Net proceeds from bank loan	50,000	40,000	60,000
Redemption of Series B 15% Cumulative Redeemable Voting Preference Shares	--	(57,874)	(57,541)
Proceeds of Series B 15% Cumulative Redeemable Voting Preference Shares	--	--	100,000
Dividends paid	(20,489)	(4,096)	--
Loans to officers and employees	(868)	(2,728)	--
Deferred registration costs	--	--	(767)
Proceeds from exercise of options	--	100	--
<b>NET CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES</b>	<b>(44,817)</b>	<b>29,898</b>	<b>101,692</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>59,819</b>	<b>(13,886)</b>	<b>120,021</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>139,163</b>	<b>153,049</b>	<b>33,028</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 198,982</b>	<b>\$ 139,163</b>	<b>\$ 153,049</b>

See accompanying notes to the consolidated financial statements.

NOTE 1. ORGANIZATION

RenaissanceRe Holdings Ltd. ("RenaissanceRe"), formerly Renaissance Holdings Ltd., was formed under the laws of Bermuda on June 7, 1993 and serves as the holding company for its wholly-owned subsidiary, Renaissance Reinsurance Ltd. ("Renaissance Reinsurance") and its majority-owned subsidiary, Glencoe Insurance Ltd. ("Glencoe"), both of which are also incorporated under the laws of Bermuda.

Renaissance Reinsurance primarily provides property catastrophe reinsurance coverage to insurers and reinsurers on a worldwide basis. Renaissance Reinsurance commenced its reinsurance underwriting operations on June 15, 1993. Glencoe primarily provides catastrophe exposed property coverage on an insurance and reinsurance basis. Glencoe commenced its insurance underwriting operations on January 2, 1996.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on the basis of United States generally accepted accounting principles ("GAAP") and include the accounts of RenaissanceRe and its subsidiaries, Renaissance Reinsurance and Glencoe. RenaissanceRe, Renaissance Reinsurance and Glencoe are collectively referred to herein as the "Company." All intercompany transactions and balances have been eliminated on consolidation. Minority interests represent the interests of external parties in respect of net income and shareholders' equity of Glencoe. Certain comparative information has been reclassified to conform to current presentation.

USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PREMIUM REVENUES AND RELATED EXPENSES

Premiums are recognized as income, net of any applicable retrocessional coverage, over the terms of the related contracts and policies. Premiums written are estimated based on information received from ceding companies and any subsequent differences arising on such estimates are recorded in the period in which they are determined. Unearned premium reserves represent the portion of premiums written that relate to the unexpired terms of contracts and policies in force. Such reserves are computed by pro rata methods based on statistical data or reports received from ceding companies.

Acquisition costs, consisting principally of commissions and brokerage expenses incurred at the time a contract or policy is issued, are deferred and amortized over the period in which the related premiums are earned. Deferred policy acquisition costs are limited to their estimated realizable value based on the related unearned premiums. Anticipated claims and claim adjustment expenses, based on historical and current experience, and anticipated investment income related to those premiums are considered in determining the recoverability of deferred acquisition costs.

#### CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The reserve for claims and claim adjustment expenses includes estimates for unpaid claims and claim adjustment expenses on reported losses as well as an estimate of losses incurred but not reported. The reserve is based on reports and individual case estimates received from ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claim severity and frequency and other factors which could vary significantly as claims are settled. Accordingly, ultimate losses may vary materially from the amounts provided in the financial statements. These estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in results of operations in the period in which they become known and are accounted for as changes in estimates.

#### INVESTMENTS

Fixed maturity investments are considered available for sale and are reported at fair value. The net unrealized appreciation or depreciation on investments available for sale is included as a separate component of shareholders' equity. Investment transactions are recorded on the trade date with balances pending settlement reflected separately in the balance sheet. Short-term investments, which have a maturity of one year or less when purchased, are carried at cost, which approximates fair value.

Realized gains or losses on the sale or maturity of investments are determined on the basis of the specific identification method. Investments which are considered to have permanently declined in value are written down to estimated realizable values. Net investment income, consisting of interest, net of investment expenses, is recognized when earned. The amortization of premium and accretion of discount for fixed maturity securities is computed utilizing the interest method. The effective yield utilized in the interest method is adjusted when sufficient information exists to estimate the probability and timing of prepayments. Fair values of investments are based on quoted market prices, or when necessary, based on the market value of securities with similar terms and quality.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value disclosures with respect to certain financial instruments are included separately herein where appropriate. The carrying values of other financial instruments, including the bank loan payable, reinsurance premiums receivable and accrued investment income, approximate their fair value due to the short-term nature of the balances.

#### EARNINGS PER SHARE

Earnings per share was calculated by dividing net income available to Common Shareholders by weighted average common and common equivalent shares outstanding. For the years ended December 31, 1996, 1995, and 1994, weighted average common and common equivalent shares outstanding were 26.0 million, 24.1 million, and 22.8 million, respectively. Weighted average shares for the years ended December 31, 1996, 1995, and 1994 included 25.5 million, 23.8 million and 22.5 million weighted average Common Shares outstanding, respectively. Common equivalent shares are calculated on the basis of the treasury stock method.

## FOREIGN EXCHANGE

The Company's functional currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate at the transaction date. Exchange gains and losses are included in the determination of net income.

## CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash equivalents include money market instruments with an original maturity of ninety days or less.

## STOCK INCENTIVE COMPENSATION PLANS

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options. The alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123 ("FAS 123") requires the use of option valuation models that were not developed for use in valuing employee stock options. It is the opinion of management that disclosure of the pro forma impact of fair values, if material, provides a more relevant and informative presentation of the impact of stock options issued to employees than financial statement recognition of such amounts. Under APB 25, the Company recognizes compensation expense for stock option grants to the extent that the fair value of the stock exceeds the stock option exercise price at the date of grant.

## NOTE 3. INVESTMENTS

The amortized cost, fair value and related unrealized gains and losses on investments available for sale are as follows:

DECEMBER 31, 1996 (amounts expressed in thousands of U.S. dollars)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Non-U.S. sovereign government bonds	\$ 239,019	\$ 1,338	\$ (1,001)	\$ 239,356
Non-U.S. corporate bonds	328,398	2,110	(933)	329,575
Non-U.S. mortgage-backed securities	34,490	63	--	34,553
	\$ 601,907	\$ 3,511	\$ (1,934)	\$ 603,484

DECEMBER 31, 1995 (amounts expressed in thousands of U.S. dollars)	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Non-U.S. sovereign government bonds	\$ 200,037	\$ 3,079	\$ (1,162)	\$ 201,954
Non-U.S. corporate bonds	298,683	3,233	(2,410)	299,506
Non-U.S. mortgage-backed securities	22,429	20	(61)	22,388
	\$ 521,149	\$ 6,332	\$ (3,633)	\$ 523,848

Contractual maturities of fixed maturity securities are shown below. Expected maturities, which are best estimates, will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. All mortgage-backed securities mature within five years.

	DECEMBER 31, 1996	
	AMORTIZED COST	FAIR VALUE
(amounts expressed in thousands of U.S. dollars)		
Due within one year	\$ 56,174	\$ 56,043
Due after one through five years	455,999	457,105
Due after five through ten years	89,734	90,336
	\$601,907	\$603,484

The weighted average contractual maturity of the total carrying value of fixed maturity investments available for sale as of December 31, 1996 and 1995 was 3.7 years and 4.2 years, respectively.

The following table summarizes the composition of the fair value of the fixed maturity portfolio by ratings assigned by rating agencies (e.g. Standard & Poor's Corporation) or, with respect to non-rated issues, as estimated by the Company's investment managers.

	AT DECEMBER 31,	
	1996	1995
AAA	28.1%	39.5%
AA	50.1	41.6
A	20.2	15.3
BBB	1.6	3.6
	100.0%	100.0%

#### INVESTMENT INCOME

The components of net investment income are as follows:

	YEARS ENDED DECEMBER 31,		
(amounts expressed in thousands of U.S. dollars)	1996	1995	1994
Fixed maturities	\$36,225	\$25,936	\$10,205
Short-term investments	53	2,974	3,986
Cash and cash equivalents	9,460	5,122	1,846
	45,738	34,032	16,037
Investment expenses	1,568	1,712	1,095
NET INVESTMENT INCOME	\$44,170	\$32,320	\$14,942

The analysis of realized gains (losses) and the change in unrealized gains (losses) on investments is as follows:

(amounts expressed in thousands of U.S. dollars)	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
Gross realized gains	\$ 1,240	\$2,488	\$ 666
Gross realized losses	(4,178)	(173)	(420)
Net realized gains (losses) on sale of investments	(2,938)	2,315	246
Unrealized gains (losses)	(1,122)	6,353	(3,643)
<b>TOTAL REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS</b>	<b>\$(4,060)</b>	<b>\$8,668</b>	<b>\$(3,397)</b>

Proceeds from maturities and sales of fixed maturity investments were \$317.6 million, \$268.6 million and \$118.8 million for the years ended December 31, 1996, 1995 and 1994, respectively.

The Company's investments are primarily invested in U.S. dollar denominated foreign investments. At December 31, 1996, the Company's investments in cash and cash equivalents included \$25.3 million of investments in non-U.S. dollar currencies, representing approximately 3.2% of invested assets. At December 31, 1995, cash and cash equivalents included \$29.5 million of investments in non-U.S. dollar currencies, representing approximately 4.4% of invested assets.

#### NOTE 4. CEDED REINSURANCE

The Company utilizes reinsurance to reduce its exposure to large losses in peak zones. 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 and loss warranties. If reinsurers are unable to meet their obligations under the agreements, the Company would remain liable to the extent that any reinsurance company fails to meet its obligation. To date, there have been no losses reported to indicate that the Company's reinsurance coverage will be reached, and there are no amounts recoverable for claims and claim expenses from reinsurers.

#### NOTE 5. LIABILITY FOR UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Estimates of claims and claim adjustment expenses are based in part upon the prediction of claims resulting from catastrophic events. Estimation by the Company of claims resulting from catastrophic events based upon its own historical claim experience is inherently difficult because of the Company's short operating history and the severity of property catastrophe claims. Therefore, the Company utilizes both proprietary and commercially available models, as well as historical reinsurance industry property catastrophe claims experience, for purposes of evaluating future trends and providing an estimate of ultimate claims costs. As the Company's book of business matures and property catastrophe claims data improves, the Company anticipates that its process of establishing reserves may improve and may result in more refined estimates of claims and claim adjustment expenses.

Activity in the liability for unpaid claims and claim adjustment expense is summarized as follows:

(amounts expressed in thousands of U.S. dollars)	1996	YEARS ENDED DECEMBER 31, 1995	1994
Balance as of January 1	\$100,445	\$ 63,268	\$ 982
Incurred related to:			
Current year	74,809	80,939	114,095
Prior years	11,827	29,616	-
Total incurred	86,636	110,555	114,095
Paid related to:			
Current year	26,415	29,253	51,809
Prior years	55,554	44,125	-
TOTAL PAID	81,969	73,378	51,809
Effect of foreign exchange	309	-	-
<b>BALANCE AS OF DECEMBER 31</b>	<b>\$105,421</b>	<b>\$100,445</b>	<b>\$ 63,268</b>

During 1996, the Company incurred \$11.8 million of claims and claim expenses for 1995 and prior periods primarily as a result of reserve increases for claims related to the Northridge, California earthquake and a retrocessional quota share contract. The additional development on both of these claims was partially offset by additional premiums received under the reinsured contracts. During 1995, the Company incurred \$29.6 million of claims and claim expenses for 1994 and prior periods primarily as a result of reserve increases for claims related to the Northridge, California earthquake, reserve changes related to a retrocessional quota share contract and a large industrial catastrophe that occurred late in 1994. The additional development on these claims was partially offset by additional premiums received under the reinsured contracts. The Company's total reserve for incurred but not reported claims was \$42.7 million at the end of 1996 compared to \$29.1 million at the end of 1995.

#### NOTE 6. BANK LOAN PAYABLE

On December 12, 1996, the Company amended and restated its Revolving Credit Facility with a syndicate of commercial banks. The amended and restated credit facility provides for the borrowing of up to \$200 million on terms generally extended to prime borrowers, at an interest rate, at the Company's option, of either the base rate of the lead bank or the LIBOR rate plus a spread ranging from 25 to 50 basis points. The full amount of the Revolving Credit Facility is available until December 1, 1999 with two optional one year extensions, if requested by the Company and approved by the lenders. As of December 31, 1996, \$150 million was outstanding under this agreement.

The credit agreement limits the payment of dividends by the Company to the amount by which the Company's total shareholders' equity exceeds \$300 million and requires, among other things, that various financial maintenance tests be met over the term of the agreement.

Interest payments on the Company's credit facility totaled \$6.9 million, \$5.8 million and \$0.1 million for the years ended December 31, 1996, 1995 and 1994 respectively.

NOTE 7. SHAREHOLDERS' EQUITY

The Company's 200,000,000 authorized \$1.00 par value Common Shares consists of three separate series with differing voting rights as follows:

	AUTHORIZED	ISSUED AND OUTSTANDING
Full Voting Common Shares (the Common Shares) (includes all shares registered and available to the public)	181,570,583	17,877,316
Diluted Voting Class I Common Shares (the Diluted Voting I Shares)	16,789,776	4,199,191
Diluted Voting Class II Common Shares (the Diluted Voting II Shares)	1,639,641 200,000,000	1,454,109 23,530,616

The Diluted Voting I Shares and the Diluted Voting II Shares (together the Diluted Voting Shares) were authorized at a special general meeting of shareholders on December 23, 1996 and subsequent to the authorization, affiliates of General Electric Investment Corporation (GEI) exchanged 5.7 million Common Shares for 4.2 million Diluted Voting I Shares and 1.5 million Diluted Voting II Shares, and as such are the sole holders of such diluted voting securities.

The Diluted Voting Shareholders vote together with the Common Shareholders. The Diluted Voting I Shares are limited to a fixed voting interest in the Company of up to 9.9 percent. Each Diluted Voting II Share has a one-third vote on most corporate matters. The Diluted Voting Shareholders are entitled to the same rights, including receipt of dividends and the right to vote on certain significant corporate matters, and are subject to the same restrictions as the Common Shareholders. The Company currently does not intend to register or list the Diluted Voting Shares on The New York Stock Exchange.

On December 13, 1996, the Board of Directors approved a Capital Plan which is comprised of two components. First, the Company purchased an aggregate of 2,085,361 Common Shares at \$34.50 per share for an aggregate price of \$71.9 million on a pro rata basis from its founding institutional investors. Second, the Company commenced a tender offer for 813,190 Common Shares at \$34.50 per share for an aggregate price of \$28.1 million. The two transactions that comprise the capital plan are expected to return a total of \$100 million to shareholders through the repurchase and cancellation of Common Shares.

In February 1996, the Company paid for the costs of a secondary offering of the Company's Common Shares sold by the founding institutional investors pursuant to the registration rights agreement by and among the Company, the founding institutional investors and certain officers and employees of the Company. The Company incurred costs of \$0.5 million with respect to the registration of shares which is reflected as a reduction to additional paid-in capital on the balance sheet.

On July 26, 1995, the Company issued 3,105,000 Common Shares for proceeds, net of fees, discounts and commissions, of approximately \$56.3 million in an initial public offering (the IPO). Costs associated with the IPO, totaling approximately \$2.0 million were deducted from the related proceeds. The net amount received in excess of Common Share par value was recorded as additional paid-in capital.



In March 1995, the Company adopted a plan of recapitalization (the Recapitalization) and completed certain other transactions designed to produce a capital structure comprised entirely of Common Shares. In connection therewith:

- - The Company effected a consolidation and subdivision of its authorized share capital allocated to Common Shares of U.S. \$1.00 par value each and reallocated the entire \$200 million authorized capital of the Company to its Common Shares. The Company issued a stock dividend of one fully-paid Common Share for each two issued and outstanding Common Shares (the "Stock Dividend"). This issuance reclassified \$7.5 million to the Company's Common Shares from additional paid-in capital.
- - The Series A Preference Shares were converted into 21,037,500 Common Shares.
- - 673,500 Common Shares were issued to USF&G in the form of a stock dividend. 575,584 of such shares were issued to restore USF&G's economic position in the Company (i.e., ownership percentage) to the level immediately preceding the Recapitalization. 99,416 of such shares were granted in the form of a special stock dividend, in exchange for USF&G's surrender of certain rights as holder of all the then-outstanding Common Shares in connection with conversion of the Series A Preference Shares. In connection with the 99,416 shares granted, the approximately \$1.2 million fair value of such shares, as determined by the Company's Board of Directors, has been reflected in the financial statements as a non-cash organizational expense for the year ended December 31, 1995.

In May, 1994 the Company received \$100 million with respect to the issuance of 1,000,000 Series B Preference Shares at a price of U.S. \$100 each to the founding institutional investors. Dividends related to the Series B Preference Shares amounted to \$2.5 million and \$12.9 million in 1995 and 1994, respectively. In December, 1994 the Company redeemed 575,414 Series B Preference Shares, and in April 1995 all remaining Series B Preference Shares and accumulated dividends were redeemed.

#### NOTE 8. RELATED PARTY TRANSACTIONS AND MAJOR CUSTOMERS

The Company has in force several treaties with USF&G, subsidiaries of USF&G and affiliates of GEI covering property catastrophe risks in several geographic zones. The terms of these treaties were determined in arms-length negotiations and the Company believes that such terms are comparable to terms the Company would expect to negotiate in similar transactions with unrelated parties. For the years ended December 31, 1996, 1995 and 1994, the Company received \$27.9 million, \$45.7 million and \$28.1 million in reinsurance premiums and deposits related to these treaties, respectively.

Renaissance Reinsurance has entered into Investment Advisory Agreements with each of Warburg, Pincus Investment Counsellors, Inc., ("Counsellors"), an affiliate of E.M. Warburg, Pincus & Co., LLC and GE Investment Management, an affiliate of GEI. Counsellors and GE Investment Management currently each manage approximately 40% of Renaissance Reinsurance's investment portfolio, subject to Renaissance Reinsurance's investment guidelines. The terms of the Investment Advisory Agreements were determined in arms-length negotiations. The performance of, and the fees paid to, Counsellors and GE Investment Management under the Investment Advisory Agreements are reviewed periodically by the Board. Such fees paid to Counsellors and GE Investment Management aggregated \$0.5 million and \$0.6 million, respectively for the year ended December 31, 1996, respectively.

During the years ended December 31, 1996, 1995 and 1994, the Company received 58.5%, 47.9%, and 53.9%, respectively, of its premium assumed from its five largest reinsurance brokers. Subsidiaries and affiliates of Marsh & McLennan, Incorporated, E. W. Blanch Co., Inc., Greig Fester Limited, Alexander Howden Reinsurance Brokers, Ltd. and Bates, Turner Inc. (a GE Capital Services Company, an affiliate of GEI) accounted for approximately 15.2%, 14.9%, 11.5%, 10.1% and 6.8%, respectively, of the Company's net premiums written in 1996.

NOTE 9. DIVIDENDS

During 1996, four regular quarterly dividends of \$0.20 per share were paid to shareholders of record as of February 20, May 16, August 20, and November 19. During 1995 the Company paid a dividend of \$0.16 per share, payable to shareholders of record as of November 21. The total amount of dividends paid in 1996 and 1995 were \$20.5 million and \$4.1 million, respectively.

NOTE 10. TAXATION

Under current Bermuda law, neither RenaissanceRe, Renaissance Reinsurance nor Glencoe are required to pay taxes in Bermuda on either income or capital gains.

NOTE 11. SEGMENT INFORMATION

Financial information relating to gross premiums assumed from ceding companies by geographic area is as follows:

(amounts expressed in thousands of U.S. dollars)	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
United States	\$126,611	\$144,077	\$129,246
Worldwide	44,460	59,137	50,805
Worldwide (excluding U.S.)	38,746	41,311	38,534
Europe (including the United Kingdom)	31,534	25,365	26,062
Other	18,958	11,720	19,200
Australia and New Zealand	9,604	10,997	9,634
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>\$269,913</b>	<b>\$292,607</b>	<b>\$273,481</b>

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

NOTE 12. EMPLOYEE BENEFIT PLANS

The Company's employees that are not subject to U.S. taxation may participate in a contributory savings and investment plan. Each employee in the non-U.S. plan may contribute to the plan. Employee contributions are matched at a rate of 100 percent of the first six percent of compensation contributed to the plan.

The Company's employees that are subject to U.S. taxation participate in a defined contribution savings and investment plan. Employee contributions are matched at a rate of 50 percent, subject to IRS and ERISA regulations. In addition the Company provides a health benefit plan providing hospital, medical and other health benefits.

NOTE 13. STOCK INCENTIVE COMPENSATION PLANS

The Company adopted the disclosure-only option under FAS 123, as of December 31, 1996. The pro forma impacts of the fair value accounting provisions of FAS 123 were immaterial on 1996 and 1995 net income.

The Company has a stock option plan under which all employees of the Company and its subsidiaries may be granted stock options. A stock option award under the Company's stock option plan allows for the purchase of the Company's Common Shares at a price that is generally equal to the market price of the Common Shares on the date of grant. Options to purchase Common Shares are granted periodically by the Board of Directors and generally expire ten years from the date of grant.

Information with respect to stock options follows:

	OPTIONS AVAILABLE FOR GRANT	OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Balance, December 31, 1994	-	100,000	\$ 1.00
Authorized	2,900,000		
Options granted			
Exercise price at market price	(877,650)	877,650	\$13.43
Exercise price below market price	(24,000)	24,000	\$19.50
Options exercised		(100,000)	\$ 1.00
Balance, December 31, 1995	1,998,350	901,650	\$13.59
Options granted			
Exercise price at market price	(424,349)	424,349	\$29.41
Options exercised		(28,738)	\$14.91
Balance, December 31, 1996	1,574,001	1,297,261	\$18.74
TOTAL OPTIONS EXERCISABLE AT END OF YEAR		470,650	

In 1996, the Company established a Non-Employee Director Stock Plan to issue stock options and shares of restricted stock. The maximum number of shares which may be issued under the Plan shall not exceed 100,000 Common Shares. Under this plan, 6,000 options to purchase Common Shares and 546 restricted Common Shares were issued in 1996.

Under the Company's 1993 Stock Incentive Plan, options for 100,000 Common Shares (base options) were issued to employees. The exercise price of the base options was one U.S. dollar per share, which approximated fair value at the date of grant for 85,000 of the base options. The remaining 15,000 base options were granted when the exercise price of one U.S. dollar per share was below estimated fair value per share, and, as such, the difference of approximately \$1 million between the estimated \$11.83 per share fair value at the date of grant, as determined by the Company's Board of Directors and the \$1.00 exercise price was reflected in the accompanying financial statements as a non-cash compensation charge. In connection with the Recapitalization, the base option plan was amended to allow for the immediate exercise of all base options into 787,500 restricted Common Shares with a vesting schedule identical to the original base option plan. In connection with the issuance of the restricted Common Shares in 1995, the \$2.5 million fair value of such shares, based on fair value as determined by the Company's Board of Directors, has been reflected in the financial statements as a non-cash compensation expense.

Compensation expense for these plans in 1995 and 1994 was \$2.8 million and \$0.8 million, respectively. There was no compensation expense related to employee stock option plans in 1996.

In addition, the Company provides certain employees the ability to borrow, at current market rates, such amounts necessary to satisfy the tax obligations on certain stock awards. The loans mature no later than the date that the grants that gave rise to the tax liability expire. All such loans are reflected as a separate component of shareholders' equity.

#### NOTE 14. STATUTORY REQUIREMENTS

Under the Insurance Act, 1978, amendments thereto and related regulations of Bermuda ("The Act"), Renaissance Reinsurance and Glencoe are required to prepare statutory financial statements and to file in Bermuda a statutory financial return. The Act also requires Renaissance Reinsurance and Glencoe to maintain certain measures of solvency and liquidity during the period. As at December 31, 1996 the statutory capital and surplus of the Company's subsidiaries was \$595.0 million and the amount required to be maintained was \$124.5 million.

Under the Act, Renaissance Reinsurance is classified as a Class 4 insurer, and is therefore restricted to the payment of dividends in the amount of 25% of the prior years statutory capital and surplus, unless the directors of Renaissance Reinsurance attest that a dividend in excess of this amount would not cause Renaissance Reinsurance to fail to meet its relevant margins. During 1996, Renaissance Reinsurance paid aggregate cash dividends of \$135.6 million to RenaissanceRe Holdings Ltd.

#### NOTE 15. COMMITMENTS AND CONTINGENCIES

##### LEASE COMMITMENTS AND FIXED ASSETS

The Company is finalizing an operating lease with respect to its offices. Future minimum rental payments are expected to approximate \$600,000 per annum and will continue through September 30, 2001. In addition, the Company is party to certain lease commitments with respect to housing on behalf of certain officers of the Company.

##### FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

As of December 31, 1996, the Company did not maintain any financial instruments that exposed the Company to any off-balance sheet risks.

##### CONCENTRATION OF CREDIT RISK

None of the Company's investments exceeded 10% of shareholders' equity at December 31, 1996.

##### LETTERS OF CREDIT

Effective as of December 31, 1996 the Company's bankers have issued letters of credit of approximately \$62.1 million in favor of certain ceding companies. The letters of credit are secured by cash and cash equivalents of similar amounts.

EMPLOYMENT AGREEMENTS

The Board of Directors has authorized the execution of employment agreements between the Company and its executive officers for periods up to December 31, 1997. These agreements provide for compensation in the form of salary, bonus, options to purchase shares in the Company, participation in benefit plans and reimbursement of certain expenses.

NOTE 16. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

(certain amounts have been reclassified)

(amounts expressed in thousands of U.S. dollars, except per share amounts)	QUARTER ENDED MARCH 31,		QUARTER ENDED JUNE 30,		QUARTER ENDED SEPTEMBER 30,		QUARTER ENDED DECEMBER 31,	
	1996	1995	1996	1995	1996	1995	1996	1995
Gross premiums written	\$140,548	\$156,175	\$39,018	\$40,035	\$73,591	\$81,140	\$16,756	\$15,257
Net premiums written	\$138,715	\$155,516	\$32,682	\$39,959	\$65,238	\$80,278	\$14,929	\$14,175
Decrease (increase) in unearned premiums	(77,016)	(88,930)	29,333	30,364	(1,785)	(2,558)	50,732	60,082
Net premiums earned	61,699	66,586	62,015	70,323	63,453	77,720	65,661	74,257
Net investment income	10,058	7,014	10,256	7,418	12,524	8,768	11,332	9,120
Net foreign exchange gains (losses)	(94)	1,428	(558)	2,020	266	(716)	1,175	313
Net realized investment gains (losses)	(617)	566	(1,514)	(40)	(660)	1,164	(147)	625
TOTAL REVENUE	71,046	75,594	70,199	79,721	75,583	86,936	78,021	84,315
Claims and claim adjustment expenses	19,981	20,863	19,336	25,408	26,298	31,947	21,330	32,337
Acquisition costs	6,322	6,709	6,090	7,066	6,606	8,259	7,144	7,252
Underwriting costs	3,301	2,094	3,837	2,789	4,456	2,650	5,137	2,915
Corporate expenses	687	3,875	446	739	307	149	858	(232)
Interest expenses	1,584	1,078	1,209	1,594	1,453	1,996	2,307	1,756
TOTAL EXPENSES	31,875	34,619	30,918	37,596	39,120	45,001	36,776	44,028
Net income	39,171	40,975	39,281	42,125	36,463	41,935	41,245	40,287
Series B dividend	--	1,941	--	595	--	--	--	--
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 39,171	\$ 39,034	\$39,281	\$ 41,530	\$36,463	\$41,935	\$41,245	\$40,287
Earning per share	\$ 1.50	\$ 1.72	\$ 1.51	\$ 1.83	\$ 1.40	\$ 1.68	\$ 1.60	\$ 1.55
Weighted average shares	26,088	22,750	26,076	22,750	26,084	24,980	25,732	26,054
Claims and claim adjustment expense ratio	32.4%	31.4%	31.2%	36.2%	41.5%	41.1%	32.5%	43.5%
Underwriting expense ratio	15.6%	13.2%	16.0%	14.1%	17.4%	13.9%	18.7%	13.7%
COMBINED RATIO	48.0%	44.6%	47.2%	50.3%	58.9%	55.0%	51.2%	57.2%

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF RENAISSANCERE HOLDINGS LTD.

We have audited the accompanying consolidated balance sheets of RenaissanceRe Holdings Ltd. and Subsidiaries as of December 31, 1996 and 1995 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RenaissanceRe Holdings Ltd. and Subsidiaries as of December 31, 1996 and 1995 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996 in conformity with accounting principles generally accepted in the United States.

Ernst & Young

Hamilton, Bermuda  
January 15, 1997

## GLOSSARY OF SELECTED INSURANCE TERMS

**ATTACHMENT POINT** The amount of loss (per occurrence or in the aggregate, as the case may be) above which excess of loss reinsurance becomes operative.

**CATASTROPHIC EXCESS OF LOSS REINSURANCE** A form of excess of loss reinsurance that, subject to a specified limit, indemnifies the ceding company for the amount of loss in excess of a specified retention with respect to an accumulation of losses resulting from a "catastrophe."

**CEDE; CEDENT; CEDING COMPANY** When a party reinsures its liability with another, it "cedes" business and is referred to as the "cedent" or "ceding company."

**COMBINED RATIO** The sum of the expense ratio and the claims/claim adjustment expense ratio. This ratio measures the ratio of underwriting expenses and claims/claims adjustment expenses to earned premium. A combined ratio over 100% generally indicates unprofitable underwriting prior to the consideration of investment income.

**EXCESS OF LOSS REINSURANCE** A generic term describing reinsurance that indemnifies the reinsured against all or a specified portion of losses on underlying insurance policies in excess of a specified amount, which is called a "level" or "retention."

**INCURRED BUT NOT REPORTED** Reserves for estimated losses that have been incurred by insureds and reinsureds but not yet reported to the insurer or reinsurer including unknown future increases on losses which are known to the insurer or reinsurer.

**LAYER** The interval between the retention or attachment point and the maximum limit of indemnity for which a reinsurer is responsible.

**NET PREMIUMS WRITTEN** Gross premiums written for a given period less premiums ceded to reinsurers and retrocessionaires during such period.

**PROPORTIONAL REINSURANCE** A generic term describing all forms of reinsurance in which the reinsurer shares a proportional part of the original premiums and losses of the reinsured. (Also known as pro rata reinsurance, quota share reinsurance or participating reinsurance.)

**REINSTATEMENT PREMIUM** The premium charged for the restoration of the reinsurance limit of a catastrophe contract to its full amount after payment by the reinsurer of losses as a result of an occurrence.

**REINSURANCE** An arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance or reinsurance company, against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies. Reinsurance can provide a ceding company with several benefits, including a reduction in net liability on individual risks and catastrophe protection from large or multiple losses. Reinsurance also provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be possible without a concomitant increase in capital and surplus, and facilitates the maintenance of acceptable financial ratios by the ceding company.

**RETENTION** The amount or portion of risk that an insurer retains for its own account. Losses in excess of the retention level are paid by the reinsurer. In proportional treaties, the retention may be a percentage of the original policy's limit. In excess of loss business, the retention is a dollar amount of loss, a loss ratio or a percentage.

**RETROCESSIONAL REINSURANCE;**

**RETROCESSIONAIRE** A transaction whereby a reinsurer cedes to another reinsurer, or retrocessionaire, all or part of the the reinsurance that the first reinsurer has assumed. Retrocessional reinsurance does not legally discharge the ceding reinsurer from its liability with respect to its obligations to the reinsured. Reinsurance companies cede risks to retrocessionaires for reasons similar to those that cause primary insurers to purchase reinsurance: to reduce net liability on net risks, to protect against catastrophic losses, to stabilize financial ratios and to obtain additional underwriting capacity.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

RenaissanceRe Holdings Ltd. and  
Renaissance Reinsurance Ltd.

JAMES N. STANARD  
Chairman of the Board,  
RenaissanceRe Holdings Ltd.

ARTHUR S. BAHR  
Retired  
General Electric Investment Corporation

THOMAS A. COOPER  
TAC Associates

EDMUND B. GREENE  
General Electric Company

GERALD L. IGOU  
General Electric Investment Corporation

KEWSONG LEE  
E.M. Warburg, Pincus & Co., L.L.C.

JOHN M. LUMMIS  
USF&G

HOWARD H. NEWMAN  
E.M. Warburg, Pincus & Co., L.L.C.

SCOTT E. PARDEE  
Yamaichi Securities

JOHN C. SWEENEY  
Falcon Asset Management

DAVID A. TANNER  
E.M. Warburg, Pincus & Co., L.L.C.

Glencoe Insurance Ltd.

KEITH S. HYNES  
Chairman, Glencoe Insurance Ltd.  
RenaissanceRe Holdings Ltd.

RUSSELL T. JOHN  
Underwriters Reinsurance Company

ALAN P. KRUSI  
Dames and Moore Ventures

WILLIAM I. RIKER  
RenaissanceRe Holdings Ltd.

JAMES N. STANARD  
RenaissanceRe Holdings Ltd.

MANAGEMENT

RenaissanceRe Holdings Ltd. and  
Renaissance Reinsurance Ltd.

JAMES N. STANARD  
Chairman of the Board, President &  
Chief Executive Officer

NEILL A. CURRIE  
Senior Vice President

DAVID A. EKLUND  
Senior Vice President

KEITH S. HYNES  
Senior Vice President &  
Chief Financial Officer

WILLIAM I. RIKER  
Senior Vice President

ROBERT E. HYKES  
Vice President

JAYANT S. KHADILKAR  
Vice President

JOHN D. NICHOLS, JR.  
Vice President

RUSSELL M. SMITH  
Vice President

MARTIN J. MERRITT  
Assistant Vice President

KEVIN J. O'DONNELL  
Assistant Vice President

Glencoe Insurance Ltd.

KEITH S. HYNES  
Chairman

GLENN S. THOMAS  
Senior Vice President

ALBERT J. COLOSIMO  
Vice President



#### FINANCIAL AND INVESTOR INFORMATION

For general information about the Company or for copies of the annual report, quarterly earnings releases and Forms 10-K and 10-Q, please contact:

John D. Nichols, Jr.  
Vice President and Treasurer  
Tel: 441-295-4513  
Internet: [jdn@renre.com](mailto:jdn@renre.com)

#### STOCK INFORMATION

The Company's stock is listed on The New York Stock Exchange under the symbol RNR.

#### INDEPENDENT AUDITORS

Ernst & Young  
Hamilton, Bermuda

#### TRANSFER AGENT

ChaseMellon Shareholder Services, L.L.P.  
Overpeck Centre  
85 Challenger Road  
Ridgefield Park, NJ 07660  
USA  
Web site: [www.cmsonline.com](http://www.cmsonline.com)

All written requests should be sent to:

Shareholder Services  
RenaissanceRe Holdings Ltd.  
Renaissance House  
8-12 East Broadway  
P.O. Box HM2527  
Hamilton HMGX, Bermuda

RENAISSANCERE HOLDINGS LTD.

Renaissance House  
8-12 East Broadway  
Pembroke HM19, Bermuda  
Tel: 441-295-4513  
Fax: 441-292-9453  
Internet: [jdn@renre.com](mailto:jdn@renre.com)  
Web site: [www.renre.com](http://www.renre.com)

Subsidiaries of RenaissanceRe Holdings Ltd.  
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1. 100% of the issued and outstanding capital shares of Renaissance  
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Reinsurance Ltd., a company organized under the laws of Bermuda, is owned  
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by RenaissanceRe Holdings Ltd.
  
2. 71.1% of the issued and outstanding capital shares of Glencoe Insurance  
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Ltd., a company organized under the laws of Bermuda, is owned by  
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RenaissanceRe Holdings Ltd.



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