

RENAISSANCERE HOLDINGS LTD  
Form 10-Q  
May 03, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q  
Q QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2013  
OR  
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission File No. 001-14428  
RENAISSANCERE HOLDINGS LTD.  
(Exact Name Of Registrant As Specified In Its Charter)  
Bermuda 98-014-1974  
(State or Other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification Number)  
Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda  
(Address of Principal Executive Offices)  
(441) 295-4513  
(Registrant's telephone number)

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

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

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

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

The number of Common Shares, par value US \$1.00 per share, outstanding at April 30, 2013 was 44,510,005.

RENAISSANCERE HOLDINGS LTD.  
TABLE OF CONTENTS

	Page
<u>PART I</u>	
ITEM 1. <u>FINANCIAL STATEMENTS</u>	
<u>Consolidated Balance Sheets at March 31, 2013 (unaudited) and December 31, 2012</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and 2012</u>	<u>5</u>
<u>Unaudited Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2013 and 2012</u>	<u>6</u>
<u>Unaudited Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012</u>	<u>7</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>8</u>
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>50</u>
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>87</u>
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	<u>88</u>
<u>PART II</u>	
ITEM 1. <u>LEGAL PROCEEDINGS</u>	<u>89</u>
ITEM 1A. <u>RISK FACTORS</u>	<u>89</u>
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>90</u>
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	<u>90</u>
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	<u>90</u>
ITEM 5. <u>OTHER INFORMATION</u>	<u>90</u>
ITEM 6. <u>EXHIBITS</u>	<u>91</u>
<u>SIGNATURES - RENAISSANCERE HOLDINGS LTD.</u>	<u>92</u>

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## RenaissanceRe Holdings Ltd. and Subsidiaries

## Consolidated Balance Sheets

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

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
Assets		
Fixed maturity investments trading, at fair value (Amortized cost \$4,430,285 and \$4,554,362 at March 31, 2013 and December 31, 2012, respectively)	\$4,511,885	\$4,665,421
Fixed maturity investments available for sale, at fair value (Amortized cost \$39,324 and \$71,445 at March 31, 2013 and December 31, 2012, respectively)	45,254	83,442
Short term investments, at fair value	997,889	821,163
Equity investments trading, at fair value	555	58,186
Other investments, at fair value	652,802	644,711
Investments in other ventures, under equity method	92,054	87,724
Total investments	6,300,439	6,360,647
Cash and cash equivalents	335,625	325,358
Premiums receivable	654,368	491,365
Prepaid reinsurance premiums	170,216	77,082
Reinsurance recoverable	162,948	192,512
Accrued investment income	29,921	33,478
Deferred acquisition costs	77,914	52,622
Receivable for investments sold	163,584	168,673
Other assets	193,521	218,405
Goodwill and other intangible assets	8,384	8,486
Total assets	\$8,096,920	\$7,928,628
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	\$1,755,783	\$1,879,377
Unearned premiums	658,209	399,517
Debt	254,315	351,775
Reinsurance balances payable	380,939	290,419
Payable for investments purchased	397,517	278,787
Other liabilities	207,535	253,438
Total liabilities	3,654,298	3,453,313
Commitments and Contingencies		
Redeemable noncontrolling interest – DaVinciRe	875,770	968,259
Shareholders' Equity		
Preference Shares: \$1.00 par value – 16,000,000 shares issued and outstanding at March 31, 2013 (December 31, 2012 – 16,000,000)	400,000	400,000
Common shares: \$1.00 par value – 44,510,091 shares issued and outstanding at March 31, 2013 (December 31, 2012 – 45,542,203)	44,510	45,542
Accumulated other comprehensive income	6,050	13,622
Retained earnings	3,112,545	3,043,901
Total shareholders' equity attributable to RenaissanceRe	3,563,105	3,503,065
Noncontrolling interest	3,747	3,991

Edgar Filing: RENAISSANCERE HOLDINGS LTD - Form 10-Q

Total shareholders' equity	3,566,852	3,507,056
Total liabilities, noncontrolling interests and shareholders' equity	\$8,096,920	\$7,928,628
See accompanying notes to the consolidated financial statements		

RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Operations  
For the three months ended March 31, 2013 and 2012  
(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended	
	March 31, 2013	March 31, 2012
Revenues		
Gross premiums written	\$635,418	\$664,151
Net premiums written	\$436,813	\$492,575
Increase in unearned premiums	(165,558)	(213,910)
Net premiums earned	271,255	278,665
Net investment income	43,615	66,971
Net foreign exchange gains (losses)	1,756	(1,460)
Equity in earnings of other ventures	5,835	5,470
Other income (loss)	7,004	(39,094)
Net realized and unrealized gains on investments	13,850	46,113
Total other-than-temporary impairments	—	(161)
Portion recognized in other comprehensive income, before taxes	—	27
Net other-than-temporary impairments	—	(134)
Total revenues	343,315	356,531
Expenses		
Net claims and claim expenses incurred	27,251	15,552
Acquisition expenses	25,009	24,111
Operational expenses	46,014	42,383
Corporate expenses	4,529	4,811
Interest expense	5,034	5,718
Total expenses	107,837	92,575
Income from continuing operations before taxes	235,478	263,956
Income tax (expense) benefit	(122)	37
Income from continuing operations	235,356	263,993
Loss from discontinued operations	—	(173)
Net income	235,356	263,820
Net income attributable to noncontrolling interests	(38,607)	(53,641)
Net income attributable to RenaissanceRe	196,749	210,179
Dividends on preference shares	(6,275)	(8,750)
Net income available to RenaissanceRe common shareholders	\$190,474	\$201,429
Income from continuing operations available to RenaissanceRe common shareholders per common share – basic	\$4.32	\$3.93
Loss from discontinued operations attributable to RenaissanceRe common shareholders per common share – basic	—	—
Net income available to RenaissanceRe common shareholders per common share – basic	\$4.32	\$3.93
Income from continuing operations available to RenaissanceRe common shareholders per common share – diluted	\$4.23	\$3.88
Loss from discontinued operations attributable to RenaissanceRe common shareholders per common share – diluted	—	—
Net income available to RenaissanceRe common shareholders per common share – diluted	\$4.23	\$3.88

Dividends per common share	\$0.28	\$0.27
See accompanying notes to the consolidated financial statements		

RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the three months ended March 31, 2013 and 2012  
(in thousands of United States Dollars) (Unaudited)

	Three months ended		
	March 31, 2013	March 31, 2012	
Comprehensive income			
Net income	\$235,356	\$263,820	
Change in net unrealized gains on investments	(7,572	) 1,255	
Portion of other-than-temporary impairments recognized in other comprehensive income	—	(27	)
Comprehensive income	227,784	265,048	
Net income attributable to noncontrolling interests	(38,607	) (53,641	)
Comprehensive income attributable to noncontrolling interests	(38,607	) (53,641	)
Comprehensive income attributable to RenaissanceRe	\$189,177	\$211,407	
Disclosure regarding net unrealized gains			
Total realized and net unrealized holding (losses) gains on investments and net other-than-temporary impairments	\$(1,711	) \$2,424	
Net realized gains on fixed maturity investments available for sale	(5,861	) (1,303	)
Net other-than-temporary impairments recognized in earnings	—	134	
Change in net unrealized gains on investments	\$(7,572	) \$1,255	

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Changes in Shareholders' Equity  
For the three months ended March 31, 2013 and 2012  
(in thousands of United States Dollars) (Unaudited)

	Three months ended	
	March 31, 2013	March 31, 2012
Preference shares		
Balance – January 1	\$400,000	\$550,000
Balance – March 31	400,000	550,000
Common shares		
Balance – January 1	45,542	51,543
Repurchase of shares	(1,369	) (51
Exercise of options and issuance of restricted stock awards	337	273
Balance – March 31	44,510	51,765
Additional paid-in capital		
Balance – January 1	—	—
Repurchase of shares	(429	) (3,584
Change in redeemable noncontrolling interest	267	3,578
Exercise of options and issuance of restricted stock awards	162	385
Balance – March 31	—	379
Accumulated other comprehensive income		
Balance – January 1	13,622	11,760
Change in net unrealized gains on investments	(7,572	) 1,255
Portion of other-than-temporary impairments recognized in other comprehensive income	—	(27
Balance – March 31	6,050	12,988
Retained earnings		
Balance – January 1	3,043,901	2,991,890
Net income	235,356	263,820
Net income attributable to noncontrolling interests	(38,607	) (53,641
Repurchase of shares	(109,501	) —
Dividends on common shares	(12,329	) (13,886
Dividends on preference shares	(6,275	) (8,750
Balance – March 31	3,112,545	3,179,433
Noncontrolling interest	3,747	3,892
Total shareholders' equity	\$3,566,852	\$3,798,457



See accompanying notes to the consolidated financial statements

6

---

RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the three months ended March 31, 2013 and 2012  
(in thousands of United States Dollars) (Unaudited)

	Three months ended	
	March 31, 2013	March 31, 2012
Cash flows provided by operating activities		
Net income	\$235,356	\$263,820
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	12,989	13,581
Equity in undistributed earnings of other ventures	(6,953)	(4,933)
Net realized and unrealized gains on investments	(13,850)	(46,113)
Net other-than-temporary impairments	—	134
Net unrealized gains included in net investment income	(13,102)	(36,061)
Net unrealized gains included in other income (loss)	(9,776)	(18,563)
Change in:		
Premiums receivable	(163,003)	(232,054)
Prepaid reinsurance premiums	(93,134)	(85,168)
Reinsurance recoverable	29,564	124,631
Deferred acquisition costs	(25,292)	(27,441)
Reserve for claims and claim expenses	(123,594)	(134,151)
Unearned premiums	258,692	299,078
Reinsurance balances payable	90,520	28,324
Other	(49,915)	26,020
Net cash provided by operating activities	128,502	171,104
Cash flows provided by (used in) investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	2,349,666	2,656,296
Purchases of fixed maturity investments trading	(2,075,088)	(2,551,249)
Proceeds from sales and maturities of fixed maturity investments available for sale	37,699	20,385
Sales of equity investments trading	67,073	—
Net purchases of short term investments	(192,557)	(305,867)
Net sales (purchases) of other investments	33,080	(9,663)
Net sales of other assets	—	125
Net cash provided by (used in) investing activities	219,873	(189,973)
Cash flows (used in) provided by financing activities		
Dividends paid – RenaissanceRe common shares	(12,329)	(13,886)
Dividends paid – preference shares	(6,275)	(8,750)
RenaissanceRe common share repurchases	(111,299)	(3,635)
Net repayment of debt	(97,483)	—
Net third party DaVinciRe share transactions	(114,154)	88,146
Net cash (used in) provided by financing activities	(341,540)	61,875
Effect of exchange rate changes on foreign currency cash	3,432	992
Net increase in cash and cash equivalents	10,267	43,998
Cash and cash equivalents, beginning of period	325,358	216,984
Cash and cash equivalents, end of period	\$335,625	\$260,982

See accompanying notes to the consolidated financial statements



RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2013

(unless otherwise noted, amounts in tables expressed in thousands of United States (“U.S.”) dollars, except per share amounts and percentages) (Unaudited)

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

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

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

The Company also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, which principally include Top Layer Reinsurance Ltd. (“Top Layer Re”), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. (“DaVinci”). Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of DaVinci's parent, DaVinciRe Holdings Ltd. (“DaVinciRe”), the results of DaVinci and DaVinciRe are consolidated in the Company’s financial statements. Redeemable

noncontrolling interest – DaVinciRe represents the interests of external parties with respect to the net income and shareholders’ equity of DaVinciRe. Renaissance Underwriting Managers, Ltd. (“RUM”), a wholly owned subsidiary, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation. RenaissanceRe Specialty Risks Ltd., formerly known as Glencoe Insurance Ltd. (“RenaissanceRe Specialty Risks”), is a Bermuda domiciled excess and surplus lines insurance company that is currently eligible to do business on an excess and surplus lines basis in 49 U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

RenaissanceRe Syndicate 1458 (“Syndicate 1458”) is the Company’s Lloyd’s syndicate. RenaissanceRe Corporate Capital (UK) Limited (“RenaissanceRe CCL”), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458’s sole corporate member and RenaissanceRe Syndicate Management Ltd. (“RSML”), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.

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

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to our significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2012.

### BASIS OF PRESENTATION

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

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

### USE OF ESTIMATES IN FINANCIAL STATEMENTS

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

### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

#### Disclosures About Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2011-11, Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). The objective of ASU 2011-11 is to enhance disclosures by requiring improved information about financial instruments and derivative instruments in relation to netting arrangements. ASU 2011-11 became effective for interim and annual periods beginning on or after January 1, 2013, with retrospective presentation of the new disclosure required. The Company adopted ASU 2011-11 effective January 1, 2013; since this update affected disclosures only, it did not have a material impact on the Company's consolidated statements of operations and financial condition.

In January 2013, the FASB issued ASU No. 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities ("ASU 2013-01"). The guidance clarified that the disclosures in ASU 2011-11 would apply only to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and securities lending transactions, each to the extent that they met specific conditions provided in the initial accounting standard. ASU 2013-01 became effective for interim and annual periods beginning on or after January 1, 2013, with retrospective presentation of the new disclosure required. As this guidance is disclosure-related only, the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial condition.

### Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued ASU No. 2012-02, Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment ("ASU 2012-02"). ASU 2012-02 simplifies the guidance for testing the decline in the realizable value of indefinite-lived intangible assets other than goodwill. ASU 2012-02 allows an organization the option to first assess the qualitative factors to determine whether it is necessary to perform the quantitative impairment test. An organization electing to perform a qualitative assessment is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is "more likely than not" that the asset is impaired. ASU 2012-02 became effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption was permitted. The Company adopted ASU 2012-02 effective January 1, 2013 and it did not have a material impact on the Company's consolidated statements of operations and financial condition.

### Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). The objective of ASU 2013-02 is to improve the reporting of classifications out of accumulated other comprehensive income by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional details about those amounts. ASU 2013-02 became effective for interim and annual reporting periods beginning after December 15, 2012. The Company prospectively adopted ASU 2013-02 effective January 1, 2013; since this update affected disclosures only, it did not have a material impact on the Company's consolidated statements of operations and financial condition.

### NOTE 3. INVESTMENTS

#### Fixed Maturity Investments Trading

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

	March 31, 2013	December 31, 2012
U.S. treasuries	\$1,186,742	\$1,259,800
Agencies	285,969	315,154
Non-U.S. government (Sovereign debt)	199,561	133,198
Non-U.S. government-backed corporate	291,077	349,514
Corporate	1,598,749	1,607,233
Agency mortgage-backed	433,661	399,619
Non-agency mortgage-backed	223,392	230,747
Commercial mortgage-backed	284,825	361,645
Asset-backed	7,909	8,511
Total fixed maturity investments trading	\$4,511,885	\$4,665,421

## Fixed Maturity Investments Available For Sale

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

At March 31, 2013	Amortized Cost	Included in Accumulated Other Comprehensive Income		Fair Value	Non-Credit Other-Than- Temporary Impairments (1)
		Gross Unrealized Gains	Gross Unrealized Losses		
Corporate	\$4,253	\$626	\$(57)	\$4,822	\$(62)
Agency mortgage-backed	6,378	500	(1)	6,877	—
Non-agency mortgage-backed	13,889	2,946	(10)	16,825	(808)
Commercial mortgage-backed	10,730	1,546	—	12,276	—
Asset-backed	4,074	380	—	4,454	—
Total fixed maturity investments available for sale	\$39,324	\$5,998	\$(68)	\$45,254	\$(870)

At December 31, 2012	Amortized Cost	Included in Accumulated Other Comprehensive Income		Fair Value	Non-Credit Other-Than- Temporary Impairments (1)
		Gross Unrealized Gains	Gross Unrealized Losses		
Corporate	\$7,065	\$1,002	\$(93)	\$7,974	\$(85)
Agency mortgage-backed	8,280	632	—	8,912	—
Non-agency mortgage-backed	14,613	2,989	(10)	17,592	(835)
Commercial mortgage-backed	37,292	7,229	—	44,521	—
Asset-backed	4,195	248	—	4,443	—
Total fixed maturity investments available for sale	\$71,445	\$12,100	\$(103)	\$83,442	\$(920)

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

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

	Trading		Available for Sale		Total Fixed Maturity Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
At March 31, 2013						
Due in less than one year	\$216,198	\$215,538	\$—	\$—	\$216,198	\$215,538
Due after one through five years	2,613,378	2,636,410	2,312	2,648	2,615,690	2,639,058
Due after five through ten years	549,292	568,695	1,155	1,234	550,447	569,929
Due after ten years	129,104	141,455	786	940	129,890	142,395
Mortgage-backed	914,832	941,878	30,998	35,978	945,830	977,856
Asset-backed	7,481	7,909	4,073	4,454	11,554	12,363
Total	\$4,430,285	\$4,511,885	\$39,324	\$45,254	\$4,469,609	\$4,557,139

#### Equity Investments Trading

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

	March 31, 2013	December 31, 2012
Financial institution securities	\$555	\$58,186

#### Pledged Investments

At March 31, 2013, \$1,693.3 million of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company's principal letter of credit facility. Of this amount, \$632.9 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.

#### Reverse Repurchase Agreements

At March 31, 2013, the Company held \$118.2 million (December 31, 2012 - \$74.8 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's consolidated balance sheets. The required collateral for these loans typically include high-quality, readily marketable instruments at a minimum rate of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.



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

The components of net investment income are as follows:

	Three months ended March 31,	
	2013	2012
Fixed maturity investments	\$24,310	\$26,333
Short term investments	318	500
Equity investments	—	170
Other investments		
Hedge funds and private equity investments	14,880	28,473
Other	6,995	14,170
Cash and cash equivalents	52	26
	46,555	69,672
Investment expenses	(2,940)	(2,701)
Net investment income	\$43,615	\$66,971

Net realized and unrealized gains on investments and net other-than-temporary impairments are as follows:

	Three months ended March 31,	
	2013	2012
Gross realized gains	\$34,080	\$36,286
Gross realized losses	(4,554)	(6,950)
Net realized gains on fixed maturity investments	29,526	29,336
Net unrealized (losses) gains on fixed maturity investments trading	(23,065)	14,257
Net realized gains on equity investments trading	17,561	—
Net unrealized (losses) gains on equity investments trading	(10,172)	2,520
Net realized and unrealized gains on investments	\$13,850	\$46,113
Total other-than-temporary impairments	\$—	\$(161)
Portion recognized in other comprehensive income, before taxes	—	27
Net other-than-temporary impairments	\$—	\$(134)

The following table provides an analysis of the components of other comprehensive income and reclassifications out of accumulated other comprehensive income.

	Three months ended March 31, 2013		
	Investments in other ventures	Fixed maturity investments available for sale	Total
Beginning balance	\$1,625	\$11,997	\$13,622
Other comprehensive loss before reclassifications	(1,505)	(206)	(1,711)
Amounts reclassified from accumulated other comprehensive income by statement of operations line item:			
Realized gains reclassified from accumulated other comprehensive income to net realized and unrealized gains on investments	—	(5,861)	(5,861)
Net current-period other comprehensive loss	(1,505)	(6,067)	(7,572)
Ending balance	\$120	\$5,930	\$6,050



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

	Less than 12 Months		12 Months or Greater		Total	
At March 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate	\$387	\$(24 )	\$87	\$(33 )	\$474	\$(57 )
Agency mortgage-backed	854	(1 )	—	—	854	(1 )
Non-agency mortgage-backed	—	—	101	(10 )	101	(10 )
Total	\$1,241	\$(25 )	\$188	\$(43 )	\$1,429	\$(68 )

	Less than 12 Months		12 Months or Greater		Total	
At December 31, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate	\$598	\$(30 )	\$440	\$(63 )	\$1,038	\$(93 )
Non-agency mortgage-backed	—	—	101	(10 )	101	(10 )
Total	\$598	\$(30 )	\$541	\$(73 )	\$1,139	\$(103 )

At March 31, 2013, the Company held 13 fixed maturity investments available for sale securities that were in an unrealized loss position (December 31, 2012 - 28), including 4 fixed maturity investments available for sale securities that were in an unrealized loss position for twelve months or greater (December 31, 2012 - 11). The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before the anticipated recovery of the remaining amortized cost basis. The Company performed reviews of its fixed maturity investments available for sale for the three months ended March 31, 2013 and 2012, respectively, in order to determine whether declines in the fair value below the amortized cost basis were considered other-than-temporary in accordance with the applicable guidance, as discussed below.

#### Other-Than-Temporary Impairment Process

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

In assessing the Company's intent to sell securities, the Company's procedures may include actions such as discussing planned sales with its third party investment managers, reviewing sales that have occurred shortly after the balance sheet date, and consideration of other qualitative factors that may be indicative of the Company's intent to sell or hold the relevant securities. For the three months ended March 31, 2013, the Company recognized \$Nil other-than-temporary impairments due to the Company's intent to sell these securities as of March 31, 2013 (2012 – \$Nil).

In assessing whether it is more likely than not that the Company will be required to sell a security before its anticipated recovery, the Company considers various factors including its future cash flow forecasts and requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short term investments, fixed maturity investments trading and fixed maturity investments available for sale in an unrealized gain position, and other relevant factors. For the three months ended March 31, 2013, the Company recognized \$Nil of other-than-temporary impairments due to required sales (2012 – \$Nil).



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

Once the Company determines that it is possible that a credit loss may exist for a security, the Company performs a detailed review of the cash flows expected to be collected from the issuer. The Company estimates expected cash flows by applying estimated default probabilities and recovery rates to the contractual cash flows of the issuer, with such default and recovery rates reflecting long-term historical averages adjusted to reflect current credit, economic and market conditions, giving due consideration to collateral and credit support, if applicable, and discounting the expected cash flows at the purchase yield on the security. In instances in which a determination is made that an impairment exists but the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into: (i) the amount of the total other-than-temporary impairment related to the credit loss; and (ii) the amount of the total other-than-temporary impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income. For the three months ended March 31, 2013, the Company recognized \$Nil of other-than-temporary impairments which were recognized in earnings and \$Nil related to other factors which were recognized in other comprehensive income (2012 – \$0.1 million and \$27 thousand, respectively).

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

	2013	2012
Balance – January 1	\$838	\$2,370
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	—	—
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	—	66
Reductions:		
Securities sold during the period	(27	) (248
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security	—	—
Increases in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Balance – March 31	\$811	\$2,188

#### NOTE 4. FAIR VALUE MEASUREMENTS

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

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

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

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

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

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

At March 31, 2013	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	\$ 1,186,742	\$ 1,186,742	\$—	\$—
Agencies	285,969	—	285,969	—
Non-U.S. government (Sovereign debt)	199,561	—	199,561	—
Non-U.S. government-backed corporate	291,077	—	291,077	—
Corporate	1,603,571	—	1,575,504	28,067
Agency mortgage-backed	440,538	—	440,538	—
Non-agency mortgage-backed	240,217	—	240,217	—
Commercial mortgage-backed	297,101	—	297,101	—
Asset-backed	12,363	—	12,363	—
Total fixed maturity investments	4,557,139	1,186,742	3,342,330	28,067
Short term investments	997,889	—	997,889	—
Equity investments trading	555	555	—	—
Other investments				
Private equity partnerships	345,666	—	—	345,666
Senior secured bank loan funds	204,114	—	175,577	28,537
Catastrophe bonds	75,019	—	75,019	—
Hedge funds	5,219	—	—	5,219
Miscellaneous other investments	22,784	—	—	22,784
Total other investments	652,802	—	250,596	402,206
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts	676	—	—	676
Derivatives (1)	23,663	399	3,237	20,027
Other	(1,381)	) —	(2,006)	) 625
Total other assets and (liabilities)	22,958	399	1,231	21,328
	\$6,231,343	\$ 1,187,696	\$4,592,046	\$451,601

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

December 31, 2012	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments				
U.S. treasuries	\$1,259,800	\$1,259,800	\$—	\$—
Agencies	315,154	—	315,154	—
Non-U.S. government (Sovereign debt)	133,198	—	133,198	—
Non-U.S. government-backed corporate	349,514	—	349,514	—
Corporate	1,615,207	—	1,587,415	27,792
Agency mortgage-backed	408,531	—	408,531	—
Non-agency mortgage-backed	248,339	—	248,339	—
Commercial mortgage-backed	406,166	—	406,166	—
Asset-backed	12,954	—	12,954	—
Total fixed maturity investments	4,748,863	1,259,800	3,461,271	27,792
Short term investments	821,163	—	821,163	—
Equity investments trading	58,186	58,186	—	—
Other investments				
Private equity partnerships	344,669	—	—	344,669
Senior secured bank loan funds	202,929	—	172,334	30,595
Catastrophe bonds	91,310	—	91,310	—
Hedge funds	5,803	—	—	5,803
Total other investments	644,711	—	263,644	381,067
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts	2,647	—	—	2,647
Derivatives (1)	19,123	(125	) 14,821	4,427
Other	7,315	—	(11,551	) 18,866
Total other assets and (liabilities)	29,085	(125	) 3,270	25,940
	\$6,302,008	\$1,317,861	\$4,549,348	\$434,799

(1) See "Note 11. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

#### Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

##### Fixed Maturity Investments

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

The Company's fixed maturity investment portfolios are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing, however models are also utilized to provide prices for all index eligible securities. The models use



a variety of observable inputs such as

18

---

benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third party data. Securities which are priced by an index provider are generally included in the index. In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

#### U.S. treasuries

Level 1 - At March 31, 2013, the Company's U.S. treasuries fixed maturity investments are primarily priced by pricing services and had a weighted average effective yield of 0.5% and a weighted average credit quality of AA (December 31, 2012 - 0.4% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

#### Agencies

Level 2 - At March 31, 2013, the Company's agency fixed maturity investments had a weighted average effective yield of 0.7% and a weighted average credit quality of AA (December 31, 2012 - 0.7% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

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

Level 2 - Non-U.S. government fixed maturity investments held by the Company at March 31, 2013, had a weighted average effective yield of 1.5% and a weighted average credit quality of AA (December 31, 2012 - 1.9% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

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

Level 2 - Non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 0.7% and a weighted average credit quality of AAA at March 31, 2013 (December 31, 2012 - 0.7% and AAA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low,

the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

#### Corporate

Level 2 - At March 31, 2013, the Company's corporate fixed maturity investments principally consist of U.S. and international corporations and had a weighted average effective yield of 2.5% and a weighted average credit quality of A (December 31, 2012 - 2.6% and A, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

#### Agency mortgage-backed

Level 2 - At March 31, 2013, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 2.0%, a weighted average credit quality of AA and a weighted average life of 3.8 years (December 31, 2012 - 1.3%, AA and 3.3 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced ("TBA") market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

#### Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments include non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments classified as sub-prime held in its fixed maturity investments portfolio. At March 31, 2013, the Company's non-agency prime residential mortgage-backed fixed maturity investments have a weighted average effective yield of 3.4%, a weighted average credit quality of BBB, and a weighted average life of 4.4 years (December 31, 2012 - 3.6%, BBB and 4.5 years, respectively). The Company's non-agency Alt-A fixed maturity investments held at March 31, 2013 have a weighted average effective yield of 4.8%, a weighted average credit quality of non-investment grade and a weighted average life of 4.7 years (December 31, 2012 - 5.2%, non-investment grade and 4.7 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread ("OAS") model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

#### Commercial mortgage-backed

Level 2 - The Company's commercial mortgage-backed fixed maturity investments held at March 31, 2013 have a weighted average effective yield of 1.9%, a weighted average credit quality of AA, and a weighted average life of 3.6 years (December 31, 2012 - 1.7%, AA and 3.7 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

#### Asset-backed

Level 2 - At March 31, 2013, the Company's asset-backed fixed maturity investments had a weighted average effective yield of 0.8%, a weighted average credit quality of AAA and a weighted average life of 3.3 years (December 31, 2012 - 1.8%, AAA and 3.5 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

#### Short Term Investments

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

#### Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading are primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker dealers and applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each issue.

#### Other investments

##### Senior secured bank loan funds

Level 2 - At March 31, 2013, the Company's investments in senior secured bank loan funds include funds that invest primarily in bank loans and other senior debt instruments. The fair value of the Company's senior secured bank loan funds are determined using the net asset value per share of the funds. Investments of \$175.6 million are redeemable, in part on a monthly basis, or in whole over a three month period.

##### Catastrophe bonds

Level 2 - The Company's other investments include investments in catastrophe bonds which are recorded at fair value based on broker or underwriter bid indications.

#### Other assets and liabilities

##### Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain other derivatives entered into by the Company. The fair value of these transactions include certain exchange traded foreign currency forward contracts which are considered Level 1, and certain credit derivatives, determined using standard industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs, including credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term. In addition, included in Level 2 are certain exchange traded weather and energy related derivatives primarily to address weather and energy risks, and hedging and trading activities related to these risks. The trading markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena and can be illiquid in nature. In these instances, the Company utilizes information from the most recent trade to establish fair value.

## Other

Level 2 - The liabilities measured at fair value and included in Level 2 at March 31, 2013 of \$2.0 million are principally cash settled restricted stock units ("CSRSU") that form part of the Company's compensation program. The fair value of the Company's CSRSUs is determined using observable exchange traded prices for the Company's common shares.

## Level 3 Assets and Liabilities Measured at Fair Value

Below is a summary of quantitative information regarding the significant observable and unobservable inputs (Level 3) used in determining the fair value of assets and liabilities measured at fair value on a recurring basis:

At March 31, 2013	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual	
Fixed maturity investments							
Corporate	\$17,813	Discounted cash flow ("DCF")	Credit spread (U)	n/a	n/a	2.4	%
			Illiquidity premium (U)	n/a	n/a	1.0	%
			Risk-free rate (O)	n/a	n/a	0.1	%
			Dividend rate (O)	n/a	n/a	5.9	%
	10,254	Internal valuation model	Private transaction (U)	n/a	n/a	See below	
Total fixed maturity investments	28,067						
Other investments							
Private equity partnerships	345,666	Net asset valuation	Estimated performance (U)	(12.0	)% 120.0	% 4.9	%
Senior secured bank loan funds	28,537	Net asset valuation	Estimated performance (U)	0.8	% 2.1	% 1.3	%
Hedge funds	5,219	Net asset valuation	Estimated performance (U)	0.0	% 0.0	% 0.0	%
Miscellaneous other investment	22,784	Net asset valuation	Estimated performance (U)	n/a	n/a	0.9	%
Total other investments	402,206						
Other assets and (liabilities)							
Assumed and ceded (re)insurance contracts	676	Internal valuation model	Net premiums written (O)	—	—	\$6.5 million	
			Contract period (O)	—	—	365 days	
			Net reserve for claims and claim expenses (U)	—	—	See below	
Weather and energy related derivatives	20,027	Spread option; Quanto; Black	Correlation (U)	0	1	See below	

		Scholes; Simulation	Volatility (U)	4.0	%	79.0	%	See below
			Commodity curve (U)	\$3.83		\$93.26		See below
			Weather curve (U)	7		5,427		See below
			Counterparty default risk (U)	0.0	%	22.5	%	See below
Other	625	Internal valuation model	Private transaction (U)	n/a		n/a		See below
Total other assets and (liabilities)	21,328							
	\$451,601							

## Fixed Maturity Investments

### Corporate

Level 3 - Included in the Company's corporate fixed maturity investments is an investment with a fair value of \$17.8 million in the preferred equity of a property and casualty insurance group organized to market residential property insurance in North America. The Company measures the fair value of this investment using a DCF model and seeks to incorporate all relevant information reasonably available to it. The Company considers the contractual agreement which stipulates the methodology for calculating a dividend rate to be paid upon liquidation, conversion or redemption. At March 31, 2013, the dividend rate was 5.9%. In addition, the Company has estimated an illiquidity premium of 1.0%, a risk-free rate of 0.1% and a credit spread of 2.4%. To ensure the estimate for fair value determined using the DCF model is reasonable, the Company reviews private market comparables of similar investments, if available, and in particular, credit ratings of other private market comparables for similar investments to determine the appropriateness of its estimate of fair value using a DCF model. The fair value of the Company's investment in corporate fixed maturity investments determined by a DCF model is positively correlated to the dividend rate, and inversely correlated to the credit spread, illiquidity premium and the risk-free rate.

In addition, the Company's corporate fixed maturity investments include an investment with a fair value of \$10.3 million at March 31, 2013 in the preferred equity of a company that provides insurance for a variety of veterinarian costs, including surgeries, medication and diagnostic testing. When utilizing an internal valuation model to determine the fair value of this investment, the Company uses a combination of quantitative and qualitative factors, which may include, but are not limited to, discounted cash flow analysis, financial statement analysis, budgets and forecasts, capital transactions and third party valuations. In circumstances where a private market transaction has recently occurred, the Company will evaluate the comparability of that transaction and incorporate it into its internal valuation model accordingly. Recent private market transactions of investments similar to that held by the Company have been used to determine the fair value of \$10.3 million at March 31, 2013, as the Company believes it represents the price that would be received upon the sale of its investment in an orderly transaction among market participants. Consequently, should future relevant private market transactions occur, the Company will re-evaluate the information available used to determine fair value of this investment and record any adjustments to fair value in its consolidated statements of operations.

### Other investments

#### Private equity partnerships

Level 3 - Included in the Company's \$345.7 million of investments in private equity partnerships at March 31, 2013 are alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes including U.S. and global leveraged buyouts; mezzanine investments; distressed securities; real estate; and oil, gas and power. The fair value of private equity partnership investments is based on current estimated net asset values established in accordance with the governing documents of such investments and is obtained from the investment manager or general partner of the respective entity. The type of underlying investments held by the investee which form the basis of the net asset valuation include assets such as private business ventures, for which the Company does not have access to financial information. As a result, the Company is unable to corroborate the fair value measurement of the underlying investments of the private equity partnership and therefore requires significant management judgment to determine the fair value of the private equity partnership. In circumstances where there is a reporting lag between the current period end reporting date and the reporting date of the latest fund valuation, the Company estimates the fair value of these funds by starting with the prior month or quarter-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates, and then estimating the return for the current period. In circumstances in which the Company estimates the return for the current period, all relevant information reasonably available to the Company is utilized. This principally includes preliminary estimates reported to the Company by its fund managers, obtaining the valuation of underlying portfolio investments where such underlying investments are publicly traded and therefore have a readily observable price, using information that is available to the Company with respect to the underlying investments, reviewing various indices for similar investments or asset classes, as well as estimating





returns based on the results of similar types of investments for which the Company has obtained reported results, or other valuation methods, where possible. The range of such current estimated periodic returns for the three months ended March 31, 2013 was negative 12.0% to positive 120.0% with a weighted average of positive 4.9%. The fair value of the Company's investment in private equity partnerships is positively correlated to the estimated periodic rate of return. The Company also considers factors such as recent financial information, the value of capital transactions with the partnership and management's judgment regarding whether any adjustments should be made to the net asset value. For each respective private equity partnership, the Company obtains and reviews the valuation methodology used by the investment manager or general partner and the latest audited financial statements to ensure that the investment partnership is following fair value principles consistent with GAAP in determining the net asset value of each limited partner's interest.

#### Senior secured bank loan funds

Level 3 - The Company has \$28.5 million invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. The Company's investments in these funds are valued using estimated monthly net asset valuations received from the investment manager. The lock up provisions in these funds result in a lack of current observable market transactions between the fund participants and the funds, and therefore, the Company considers the fair value of its investment in these funds to be determined using Level 3 inputs. The Company obtains and reviews the latest audited financial statements to attempt to ensure that these funds are following fair value principles consistent with GAAP in determining the net asset value.

#### Hedge funds

Level 3 - The Company has \$5.2 million of hedge fund investments that are invested in so called "side pockets" or illiquid investments. In these instances, the Company generally does not have the right to redeem its interest, and as such, the Company classifies this portion of its investment as Level 3. The fair value of these illiquid investments are determined by adjusting the previous periods' reported net asset value (generally one month in arrears) for an estimated periodic rate of return obtained from the respective investment manager.

For each respective hedge fund investment, the Company obtains and reviews the valuation methodology used by the investment manager and the latest audited financial statements to ensure that the hedge fund investment is following fair value principles consistent with GAAP in determining the net asset value.

#### Miscellaneous other investment

Level 3 - The Company has an investment of \$22.8 million at March 31, 2013 in the common equity of a mortgage insurance company which provides private capital to lenders and investors that support financing for homeowner mortgages. The fair value of this investment is based on the net asset value obtained from the management of the mortgage insurance company and incorporates both actual and expected results for the current period. The fair value of the Company's investment is positively correlated to the net asset valuation. The Company also considers factors such as recent financial information, the value of capital transactions with the mortgage insurance company and management's judgment regarding whether any adjustments should be made to the net asset value.

#### Other assets and liabilities

##### Assumed and ceded (re)insurance contracts

Level 3 - The \$0.7 million fair value of the Company's assumed and ceded (re)insurance contracts accounted for at fair value is obtained through the use of an internal valuation model with the inputs to the internal valuation model based on proprietary data as observable market inputs are not available. The most significant unobservable inputs are the reserve for claims and claim expenses and losses recoverable. Generally, an increase (decrease) in the reserve for claims and claim expenses, or a decrease (increase) in losses recoverable, would result in a decrease (increase) to the fair value of the Company's assumed and ceded (re)insurance contracts.

### Weather and Energy Related Derivatives

Level 3 - Derivatives measured at fair value include net assets of \$20.0 million related to proprietary, non-exchange traded derivative-based risk management products primarily to address weather and energy risks, and hedging and trading activities related to these risks. The trading markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena and in instances where market prices are not available, the Company uses industry or internally developed valuation techniques such as spread option, Black Scholes, quanto and simulation modeling to determine fair value. These models may reference prices for similar instruments.

Observable and unobservable inputs to these valuation techniques vary by contract requirements and commodity type, are validated using market-based or independently sourced parameters where applicable and would typically include the following, if applicable, dependent on contract requirements and commodity type:

- observable inputs: contract price, notional, option strike, term to expiry, interest rate, contractual limits;

- unobservable inputs: correlation; and

- both observable and unobservable: spot and forward volatilities, forward commodity price, forward weather curve, counterparty credit risk.

The range of each unobservable input could vary based on the specific commodity, including, but not limited to natural gas, electricity, crude, liquids, temperature or precipitation. Due to the diversity of the portfolio, the range of unobservable inputs could be wide-spread as reflected in the above table on quantitative information.

If a trade has one or more significant valuation inputs that are unobservable, such trades are initially valued at the transaction price, which is considered to be the best initial estimate of fair value. Subsequent to the initial valuation, the Company updates market observable inputs to reflect observable market changes. The unobservable inputs are validated at each reporting period and are only changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. The Company seeks to use broker quotes in less liquid markets.

Changes in any or all of the unobservable inputs listed above may contribute positively or negatively to the overall portfolio fair value depending upon the underlying position. In general, movements in weather curves are the largest contributing factor that impact fair value. However, trades valued using unobservable inputs represent a small percentage of the total number of transactions in the portfolio.

Pricing models utilized in these operations are internally approved by an internal management risk committee prior to implementation and are reviewed periodically.

### Other

The Company also has an investment in the preferred equity of a company that develops online risk management products primarily focused on motor fuels risk. The fair value of this investment at March 31, 2013 of \$0.6 million was determined using recent private market transactions. In instances where private market transactions are not available, the fair value is measured using a number of qualitative and quantitative factors, including but not limited to a net asset estimation of the company, projected earnings, and any other information that may be available to the Company. At March 31, 2013, the Company determined that the fair value of its investment was appropriate when compared to the net asset position of the company and recent private market transactions. Should the net asset position of the company increase or decrease, the fair value of the Company's investment would also correspondingly increase or decrease, as applicable.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments, trading	Other investments	Other assets and (liabilities)	Total
Balance - January 1, 2013	\$27,792	\$381,067	\$25,940	\$434,799
Total unrealized gains (losses)				
Included in net investment income	275	13,016	—	13,291
Included in other income (loss)	—	—	9,776	9,776
Total realized losses				
Included in other income (loss)	—	—	6,108	6,108
Total foreign exchange gains	—	(781	) (80	) (861
Purchases	—	10,785	—	10,785
Sales	—	(424	) —	(424
Settlements	—	(19,699	) (2,174	) (21,873
Reclassified from other assets to other investments	—	18,242	(18,242	) —
Net transfers into Level 3	—	—	—	—
Balance - March 31, 2013	\$28,067	\$402,206	\$21,328	\$451,601
Change in unrealized gains for the period included in earnings for assets held at the end of the period included in net investment income	\$275	\$13,016	\$—	\$13,291
Change in unrealized gains for the period included in earnings for assets held at the end of the period included in other income (loss)	\$—	\$—	\$11,893	\$11,893

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance - January 1, 2012	\$27,761	\$396,526	\$28,526	\$452,813
Total unrealized gains (losses)				
Included in net investment income	77	29,107	—	29,184
Included in other income (loss)	—	—	18,563	18,563
Total realized gains				
Included in other income (loss)	—	—	(55,308	) (55,308
Total foreign exchange losses	—	730	(377	) 353
Purchases	—	12,689	9,281	21,970
Sales	—	—	(13,431	) (13,431
Settlements	—	(20,515	) 60,891	40,376
Net transfers into Level 3	—	—	—	—
Balance - March 31, 2012	\$27,838	\$418,537	\$48,145	\$494,520
	\$77	\$29,107	\$—	\$29,184

Change in unrealized gains for the period  
included in earnings for assets held at the end of  
the period included in net investment income

Change in unrealized gains for the period

included in earnings for assets held at the end of	\$—	\$—	\$ 10,513	\$10,513
the period included in other income (loss)				

## Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash, accrued interest, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

## Senior Notes

In March 2010, RenRe North America Holdings Inc. ("RRNAH") issued \$250.0 million of 5.75% Senior Notes due March 15, 2020, with interest on the notes payable on March 15 and September 15 of each year. At March 31, 2013, the fair value of the 5.75% Senior Notes was \$284.2 million (December 31, 2012 - \$281.2 million).

The fair value of RRNAH's 5.75% Senior Notes is determined using indicative market pricing obtained from third-party service providers, which the Company considers Level 2 in the fair value hierarchy. There have been no changes during the period in the Company's valuation technique used to determine the fair value of its Senior Notes. The Fair Value Option for Financial Assets and Financial Liabilities

The Company has elected to account for certain assets and liabilities at fair value using the guidance under FASB ASC Topic Financial Instruments as the Company believes it represents the most meaningful measurement basis for these assets and liabilities. Below is a summary of the balances the Company has elected to account for at fair value:

	March 31, 2013	December 31, 2012
Other investments	\$652,802	\$644,711
Other assets	\$1,301	\$21,513

Included in net investment income for the three months ended March 31, 2013 was net unrealized gains of \$15.1 million related to the changes in fair value of other investments (2012 – \$35.3 million). Net unrealized losses related to the changes in the fair value of other assets and liabilities recorded in other income (loss) was \$Nil for the three months ended March 31, 2013 (2012 – net unrealized losses of \$2.1 million).

## Measuring the Fair Value of Other Investments Using Net Asset Valuations

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

At March 31, 2013	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Minimum Days)	Redemption Notice Period (Maximum Days)
Private equity partnerships	\$345,666	\$84,958	See below	See below	See below
Senior secured bank loan funds	204,114	17,506	See below	See below	See below
Hedge funds	5,219	—	See below	See below	See below
Miscellaneous other investment	22,784	19,730	See below	See below	See below
Total other investments measured using net asset valuations	\$577,783	\$122,194			

Private equity partnerships – Included in the Company's investments in private equity partnerships are alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes including U.S. and global leveraged buyouts; mezzanine investments; distressed securities; real estate; and oil, gas and power. The fair values of the investments in this category have been estimated using the net asset value of the investments, as discussed in detail above. The Company generally has no

right to redeem its interest in any of these private equity partnerships in advance of dissolution of the applicable partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the applicable limited partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 7 to 10 years from inception of the limited partnership.

Senior secured bank loan funds – The Company's investment in senior secured bank loan funds includes funds that invest primarily in bank loans and other senior debt instruments. The fair values of the investments in this category have been determined using the net asset value per share of the funds or the estimated net asset per share where applicable, as discussed in detail above. Investments of \$175.6 million are redeemable, in part on a monthly basis, or in whole over a three month period.

The Company also has \$28.5 million invested in closed end funds which invest in loans. The Company has no right to redeem its investment in these funds.

Hedge funds – The Company invests in hedge funds that pursue multiple strategies. The fair values of the investments in this category are estimated using the net asset value per share of the funds, as discussed in detail above. The Company's investments in hedge funds at March 31, 2013, are \$5.2 million of so called "side pocket" investments which are not redeemable at the option of the shareholder. The Company fully redeemed the remaining non-side pocket investments in hedge funds during June 2012. The Company has retained its interest in the side pocket investments until the underlying investments attributable to such side pockets are liquidated, realized or deemed realized at the discretion of the fund manager.

Miscellaneous other investment – The Company has an investment of \$22.8 million at March 31, 2013 in the common equity of a mortgage insurance company which provides private capital to lenders and investors that supports financing for homeowner mortgages. The fair value of this investment is based on the net asset value obtained from the management of the mortgage insurance company and incorporates both actual and expected results for the current period. The fair value of the Company's investment is positively correlated to the net asset valuation. The Company also considers factors such as recent financial information, the value of capital transactions with the mortgage insurance company and management's judgment regarding whether any adjustments should be made to the net asset value.

#### NOTE 5. CEDED REINSURANCE

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

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

	Three months ended March 31,	
	2013	2012
Premiums written		
Direct	\$ 10,317	\$ 8,463
Assumed	625,101	655,688
Ceded	(198,605)	) (171,576)
Net premiums written	\$ 436,813	\$ 492,575
Premiums earned		
Direct	\$ 9,873	\$ 7,787
Assumed	366,853	357,286
Ceded	(105,471)	) (86,408)
Net premiums earned	\$ 271,255	\$ 278,665
Claims and claim expenses		
Gross claims and claim expenses incurred	\$ 33,998	\$ 15,282
Claims and claim expenses recovered	(6,747)	) 270
Net claims and claim expenses incurred	\$ 27,251	\$ 15,552

#### NOTE 6. NONCONTROLLING INTERESTS

##### Redeemable Noncontrolling Interest – DaVinciRe

In October 2001, the Company formed DaVinciRe and DaVinci with other equity investors. RenaissanceRe owns a noncontrolling economic interest in DaVinciRe; however, because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe are included in the consolidated financial statements of the Company. The portion of DaVinciRe's earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to noncontrolling interests. The Company's ownership in DaVinciRe was 32.9% at March 31, 2013 (December 31, 2012 - 30.8%).

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

Effective January 1, 2012, an existing third party shareholder sold a portion of its shares in DaVinciRe to a new third party shareholder. In connection with the sale by the existing third party shareholder, DaVinciRe retained a \$4.9 million holdback. In addition, effective January 1, 2012, the Company sold a portion of its shares of DaVinciRe to a separate new third party shareholder. The Company sold these shares for \$98.9 million, net of a \$10.0 million reserve holdback due from DaVinciRe. The Company's ownership in DaVinciRe was 42.8% at December 31, 2011 and subsequent to the above transactions, its ownership interest in DaVinciRe decreased to 34.7% effective January 1, 2012.





Certain third party shareholders of DaVinciRe submitted repurchase notices on or before the required annual redemption notice date of March 1, 2012, in accordance with the Shareholders Agreement. The repurchase notices submitted on or before March 1, 2012, were for shares of DaVinciRe with a GAAP book value of \$53.2 million at December 31, 2012.

On June 1, 2012, DaVinciRe completed an equity raise of \$49.3 million from a new third party investor. In addition, the Company and an existing third party investor each sold \$24.7 million in common shares of DaVinciRe to another existing third party investor, for a total of \$49.4 million. In connection with the sale by the Company and the existing third party investor, DaVinciRe retained a \$5.0 million holdback. As a result of the above transactions, the Company's ownership in DaVinciRe decreased to 31.5% effective January 1, 2012.

On October 1, 2012, the Company sold a portion of its shares of DaVinciRe to a new third party shareholder for \$9.8 million. The Company's ownership in DaVinciRe decreased to 30.8% effective October 1, 2012 as a result of this sale. The Company expects its ownership in DaVinciRe to fluctuate over time.

During January 2013, DaVinciRe redeemed shares from certain DaVinciRe shareholders (including those who submitted redemption notices in advance of the March 1, 2012 annual redemption notice date, as discussed above) while certain other DaVinciRe shareholders purchased additional shares in DaVinciRe. The net redemption as a result of these transactions was \$150.0 million. In connection with the redemptions, DaVinciRe retained a \$20.5 million holdback. The Company's ownership in DaVinciRe was 30.8% at December 31, 2012 and subsequent to the above transactions, the Company's ownership in DaVinciRe increased to 32.9% effective January 1, 2013.

The activity in redeemable noncontrolling interest – DaVinciRe is detailed in the table below:

	2013	2012
Balance – January 1	\$968,259	\$657,727
Redemption of shares from redeemable noncontrolling interest	(186,231)	—
Sale of shares to redeemable noncontrolling interests	54,927	85,668
Net income attributable to redeemable noncontrolling interest	38,815	53,348
Balance – March 31	\$875,770	\$796,743

#### Noncontrolling Interest - Angus Fund L.P. (the “Angus Fund”)

In December 2010, REAL and RenRe Commodity Advisors LLC, formerly known as RenRe Commodity Advisors Inc. (“RRCA”), both wholly owned subsidiaries of the Company, formed the Angus Fund with other equity investors. REAL, the general partner of the Angus Fund, has invested \$55 thousand in the Angus Fund, representing a 1.1% ownership interest at March 31, 2013 (December 31, 2012 - \$55 thousand and 1.1%, respectively), and RRCA, a limited partner, has invested \$2.0 million in the Angus Fund, representing a 35.2% ownership interest at March 31, 2013 (December 31, 2012 - \$2.0 million and 35.1%, respectively). The Angus Fund was formed to provide capital to and make investments in companies primarily in the heating oil and propane distribution industries to supplement the Company's weather and energy risk management operations. The Angus Fund meets the definition of a variable interest entity (“VIE”), therefore the Company evaluated its ownership in the Angus Fund to determine if it is the primary beneficiary. The Company has concluded it is the primary beneficiary of the Angus Fund as it has the power to direct, and has a more than insignificant economic interest in, the activities of the Angus Fund and as such, the financial position and results of operations of the Angus Fund are consolidated. The portion of the Angus Fund's earnings owned by third parties is recorded in the consolidated statements of operations as net (income) loss attributable to noncontrolling interest. The Company expects its ownership in the Angus Fund to fluctuate over time.

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

	2013	2012
Balance – January 1	\$3,991	\$3,340
Sale of shares by noncontrolling interest	—	300
Adjustment of ownership interest	139	—
Net (loss) income attributable to noncontrolling interest	(208	) 293
Dividends on common shares	(175	) (41
Balance – March 31	\$3,747	\$3,892

#### NOTE 7. VARIABLE INTEREST ENTITIES

Effective January 1, 2012, the Company formed and launched a managed joint venture, Upsilon Reinsurance Ltd. ("Upsilon Re"), a Bermuda domiciled special purpose insurer ("SPI"), to provide additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market for the 2012 underwriting year. The original business was written by Renaissance Reinsurance of Europe ("ROE"), a wholly owned subsidiary of RenaissanceRe, and included \$37.4 million of gross premiums written incepting between January 1, 2012 and June 1, 2012. A portion of this business was in turn ceded to Upsilon Re under a fully-collateralized retrocessional reinsurance contract, effective January 1, 2012. In conjunction with the formation and launch of Upsilon Re, \$16.8 million of non-voting Class B shares were sold to external investors, and the Company invested \$48.8 million in Upsilon Re's non-voting Class B shares, representing a 74.5% ownership interest in Upsilon Re. The Class B shareholders participate in substantially all of the profits or losses of Upsilon Re while the Class B shares remain outstanding. The holders of Class B shares indemnify Upsilon Re against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. In addition, another third party investor supplied \$17.6 million of capital through a reinsurance participation (a third party quota share agreement) with ROE alongside Upsilon Re. Inclusive of the reinsurance participation, the Company has a 61.4% participation in the original risks assumed by ROE. Both Upsilon Re and the reinsurance participation are managed by RUM in return for an expense override, as well as a potential underwriting profit commission. Upsilon Re is considered a VIE and the Company is considered the primary beneficiary. As a result, Upsilon Re is consolidated by the Company and all significant inter-company transactions have been eliminated.

During February 2013, Upsilon Re redeemed a portion of its outstanding third party non-voting Class B shares for \$20.5 million as a result of the scheduled expiration of certain risks underwritten by Upsilon Re. Following the redemption, third-party non-voting Class B Shares with a GAAP book value of \$2.4 million as at March 31, 2013, remained outstanding. In addition, the Company has authorized the release of \$23.0 million of collateral to a third party investor who participated in risks underwritten by ROE related to Upsilon Re through the reinsurance participation.

Effective June 1, 2012, the Company formed and launched a managed joint venture, Timicuan Reinsurance III Limited ("Tim Re III"), a Bermuda domiciled SPI, to provide collateralized reinsurance in respect of a portfolio of Florida reinstatement premium protection ("RPP") contracts. The original business was written by Renaissance Reinsurance and DaVinci, and included \$41.1 million of gross premiums written incepting June 1, 2012 and Renaissance Reinsurance and DaVinci ceded \$37.7 million to Tim Re III under a fully-collateralized reinsurance contract. In conjunction with the formation and launch of Tim Re III, \$44.8 million of non-voting Class B shares were sold to external investors. Additionally, \$10.3 million of the non-voting Class B shares were acquired by the Company, representing an 18.6% ownership interest in Tim Re III. The Class B shareholders participate in substantially all of the profits or losses of Tim Re III while the Class B shares remain outstanding. The holders of Class B shares indemnify Tim Re III against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. In addition, another third party investor supplied \$5.2 million of capital through a reinsurance participation with Renaissance Reinsurance and DaVinci, alongside Tim Re III. Inclusive of the reinsurance participation, the Company has a 17.1% participation

in the original risks assumed by Renaissance Reinsurance and DaVinci related to Tim Re III. Both Tim Re III and the reinsurance participation are managed by RUM in return for a potential underwriting profit commission. Tim

Re III is considered a VIE and the Company is considered the primary beneficiary. As a result, Tim Re III is consolidated by the Company and all significant inter-company transactions have been eliminated. Effective January 1, 2013, the Company formed and launched a managed joint venture, Upsilon Reinsurance II Ltd. ("Upsilon Re II"), a Bermuda domiciled SPI, to provide additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market for the 2013 underwriting year. Original business will be written directly by Upsilon Re II and includes \$53.5 million of gross premiums written incepting January 1, 2013 under fully-collateralized reinsurance contracts. In conjunction with the formation and launch of Upsilon Re II, \$61.0 million of Upsilon Re II non-voting Class B shares were sold to external investors. Additionally, \$76.4 million of the non-voting Class B shares were acquired by the Company, representing a 55.6% ownership interest in Upsilon Re II. The Class B shareholders participate in substantially all of the profits or losses of Upsilon Re II while the Class B shares remain outstanding. The holders of Class B shares indemnify Upsilon Re II against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. In addition, another third party investor supplied \$17.5 million of capital through an insurance contract with the Company related to Upsilon Re II's reinsurance portfolio. Inclusive of the insurance contract, the Company has a 42.9% participation in the original risks assumed by Upsilon Re II. Both Upsilon Re II and the insurance contract are managed by RUM in return for an expense override, as well as a potential underwriting profit commission. Upsilon Re II is considered a VIE and the Company is considered the primary beneficiary. As a result, Upsilon Re II is consolidated by the Company and all significant inter-company transactions have been eliminated.

#### NOTE 8. SHAREHOLDERS' EQUITY

The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of \$0.28 per common share to shareholders of record on March 15, 2013. During the three months ended March 31, 2013, the Company declared and paid \$6.3 million in preference share dividends (2012 – \$8.8 million) and \$12.3 million in common share dividends (2012 - \$13.9 million).

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. Unless terminated earlier by resolution of the Company's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The Company's decision to repurchase common shares will depend on, among other matters, the market price of the common shares and the capital requirements of the Company. During the three months ended March 31, 2013, the Company repurchased 1.4 million shares in open market transactions, at an aggregate cost of \$111.3 million, and at an average share price of \$81.29. On February 20, 2013, the Company approved an increase in its authorized share repurchase program to an aggregate amount of \$500.0 million. At March 31, 2013, \$500.0 million remained available for repurchase under the Board authorized share repurchase program. See "Part II, Item 2 - Unregistered Sales of Equity Securities and use of Proceeds" for additional information.

In December 2006, the Company raised \$300.0 million through the issuance of 12 million Series D Preference Shares at \$25 per share and in March 2004, the Company raised \$250.0 million through the issuance of 10 million Series C Preference Shares at \$25 per share. The Series D and Series C Preference Shares may be redeemed at \$25 per share at the Company's option on or after December 1, 2011 and March 23, 2009, respectively. Dividends on the Series D and Series C Preference Shares are cumulative from the date of original issuance and are payable quarterly in arrears at 6.60% and 6.08%, respectively, when, if, and as declared by the Board of Directors. The preference shares have no stated maturity and are not convertible into any other securities of the Company. Generally, the preference shares have no voting rights. Whenever dividends payable on the preference shares are in arrears (whether or not such dividends have been earned or declared) in an amount equivalent to dividends for six full dividend periods (whether or not consecutive), the holders of the preference shares, voting as a single class regardless of class or series, will have the right to elect two directors to the Board of Directors of the Company. On December 27, 2012 the Company redeemed 6 million Series D Preference Shares for \$150.0 million plus accrued and unpaid dividends thereon. Following this transaction, 6 million Series D Preference Shares remain outstanding.



## NOTE 9. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(thousands of shares)	Three months ended March 31,	
	2013	2012
Numerator:		
Net income available to RenaissanceRe common shareholders	\$ 190,474	\$ 201,429
Amount allocated to participating common shareholders (1)	(2,918)	(3,404)
Net income allocated to RenaissanceRe common shareholders	\$ 187,556	\$ 198,025
Denominator:		
Denominator for basic income per RenaissanceRe common share - weighted average common shares	43,461	50,377
Per common share equivalents of employee stock options and restricted shares	829	604
Denominator for diluted income per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	44,290	50,981
Basic income per RenaissanceRe common share	\$ 4.32	\$ 3.93
Diluted income per RenaissanceRe common share	\$ 4.23	\$ 3.88

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

## NOTE 10. SEGMENT REPORTING

The Company currently has two reportable segments: Reinsurance and Lloyd's.

As of December 31, 2012, the Company undertook a review of its reportable segments and concluded that its former Insurance segment no longer met the quantitative thresholds defined in FASB ASC Topic Segment Reporting. These operations are not actively involved in pursuing business opportunities and are in run-off; therefore the Company determined these operations no longer require, nor warrant, separate disclosure as a reportable segment. As such, the results of operations of the former Insurance segment have been included in the Other category, and all prior periods presented herein have been reclassified to conform with the current year presentation.

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

The Company's Lloyd's segment includes reinsurance and insurance business written through Syndicate 1458.

Syndicate 1458 started writing certain lines of insurance and reinsurance business incepting on or after June 1, 2009.

The syndicate was established to enhance the Company's underwriting platform by providing access to Lloyd's extensive distribution network and worldwide licenses and is managed by the Chief Underwriting Officer of European Operations. RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), an indirect wholly owned subsidiary of RenaissanceRe, is the sole corporate member of Syndicate 1458.

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

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

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

Three months ended March 31, 2013	Reinsurance	Lloyd's	Other	Total	
Gross premiums written	\$561,126	\$74,292	\$—	\$635,418	
Net premiums written	\$380,872	\$55,924	\$17	\$436,813	
Net premiums earned	\$233,460	\$37,779	\$16	\$271,255	
Net claims and claim expenses incurred	13,400	14,528	(677 )	27,251	
Acquisition expenses	18,059	6,916	34	25,009	
Operational expenses	33,675	12,178	161	46,014	
Underwriting income	\$168,326	\$4,157	\$498	172,981	
Net investment income			43,615	43,615	
Net foreign exchange gains			1,756	1,756	
Equity in earnings of other ventures			5,835	5,835	
Other income			7,004	7,004	
Net realized and unrealized gains on investments			13,850	13,850	
Corporate expenses			(4,529 )	(4,529 )	
Interest expense			(5,034 )	(5,034 )	
Income from continuing operations before taxes				235,478	
Income tax expense			(122 )	(122 )	
Net income attributable to noncontrolling interests			(38,607 )	(38,607 )	
Dividends on preference shares			(6,275 )	(6,275 )	
Net income available to RenaissanceRe common shareholders				\$190,474	
Net claims and claim expenses incurred – current accident year	\$47,029	\$17,871	\$—	\$64,900	
Net claims and claim expenses incurred – prior accident years	(33,629 )	(3,343 )	(677 )	(37,649 )	
Net claims and claim expenses incurred – total	\$13,400	\$14,528	\$(677 )	\$27,251	
Net claims and claim expense ratio – current accident year	20.1	% 47.3	% —	% 23.9	%
Net claims and claim expense ratio – prior accident years	(14.4 )	)% (8.8	)% (4,231.3	)% (13.9	)%
Net claims and claim expense ratio – calendar year	5.7	% 38.5	% (4,231.3	)% 10.0	%
Underwriting expense ratio	22.2	% 50.5	% 1,218.8	% 26.2	%
Combined ratio	27.9	% 89.0	% (3,012.5	)% 36.2	%

## Edgar Filing: RENAISSANCERE HOLDINGS LTD - Form 10-Q

Three months ended March 31, 2012	Reinsurance	Lloyd's	Other	Eliminations (1)	Total	
Gross premiums written	\$609,762	\$54,817	\$—	\$(428 )	\$664,151	
Net premiums written	\$458,638	\$33,937	\$—		\$492,575	
Net premiums earned	\$253,818	\$24,822	\$25		\$278,665	
Net claims and claim expenses incurred	8,324	9,001	(1,773 )		15,552	
Acquisition expenses	19,386	4,668	57		24,111	
Operational expenses	32,044	10,057	282		42,383	
Underwriting income	\$194,064	\$1,096	\$1,459		196,619	
Net investment income			66,971		66,971	
Net foreign exchange losses			(1,460 )		(1,460 )	
Equity in earnings of other ventures			5,470		5,470	
Other loss			(39,094 )		(39,094 )	
Net realized and unrealized gains on investments			46,113		46,113	
Net other-than-temporary impairments			(134 )		(134 )	
Corporate expenses			(4,811 )		(4,811 )	
Interest expense			(5,718 )		(5,718 )	
Income from continuing operations before taxes					263,956	
Income tax benefit			37		37	
Loss from discontinued operations			(173 )		(173 )	
Net income attributable to noncontrolling interests			(53,641 )		(53,641 )	
Dividends on preference shares			(8,750 )		(8,750 )	
Net income available to RenaissanceRe common shareholders					\$201,429	
Net claims and claim expenses incurred – current accident year	\$55,144	\$16,280	\$—		\$71,424	
Net claims and claim expenses incurred – prior accident years	(46,820 )	(7,279 )	(1,773 )		(55,872 )	
Net claims and claim expenses incurred – total	\$8,324	\$9,001	\$(1,773 )		\$15,552	
Net claims and claim expense ratio – current accident year	21.7	% 65.6	% —	%	25.6	%
Net claims and claim expense ratio – prior accident years	(18.4 )	)% (29.3	)% (7,092.0	)%	(20.0	)%
Net claims and claim expense ratio – calendar year	3.3	% 36.3	% (7,092.0	)%	5.6	%
Underwriting expense ratio	20.2	% 59.3	% 1,356.0	%	23.8	%
Combined ratio	23.5	% 95.6	% (5,736.0	)%	29.4	%

(1) Represents \$0.4 million of gross premiums ceded from the Reinsurance segment to the Lloyd's segment.





NOTE 11. DERIVATIVE INSTRUMENTS

The Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company accounts for its derivatives in accordance with FASB ASC Topic Derivatives and Hedging, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on the rights or obligations of the derivatives, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting in respect of any positions reflected in its consolidated financial statements. The Company's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event one party becomes insolvent or otherwise defaults on its obligations, master agreements generally permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

The table below shows the gross and net amounts of recognized derivative assets and liabilities, including the location on the consolidated balance sheets and fair value of the Company's principal derivative instruments:

At March 31, 2013	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$429	—	\$429	Other assets	\$—	\$429
Foreign currency forward contracts (1)	8,070	—	8,070	Other assets	—	8,070
Foreign currency forward contracts (2)	6,541	5,880	661	Other assets	—	661
Credit default swaps	547	299	248	Other assets	248	—
Energy and weather contracts	70,165	25,894	44,271	Other assets	—	44,271
Total	\$85,752	\$32,073	\$53,679		\$248	\$53,431
At March 31, 2013	Derivative Liabilities			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$30	—	\$30	Other liabilities	\$30	\$—
Foreign currency forward contracts (1)	4,227	—	4,227	Other liabilities	—	4,227
Foreign currency forward contracts (3)	211	58	153	Other liabilities	153	—
Energy and weather contracts	45,694	20,088	25,606	Other liabilities	1,363	24,243
Total	\$50,162	\$20,146	\$30,016		\$1,546	\$28,470

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(2) Contracts used to manage foreign currency risks in investment operations.

(3) Contracts used to manage foreign currency risks in energy and risk operations.

At December 31, 2012	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$441	—	\$441	Other assets	\$—	\$441
Foreign currency forward contracts (1)	7,191	—	7,191	Other assets	—	7,191
Foreign currency forward contracts (2)	2,534	2,296	238	Other assets	—	238
Credit default swaps	784	333	451	Other assets	310	141
Energy and weather contracts	43,432	13,372	30,060	Other assets	3,286	26,774
Total	\$54,382	\$16,001	\$38,381		\$3,596	\$34,785

At December 31, 2012	Derivative Liabilities			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$41	—	\$41	Other liabilities	\$41	\$—
Foreign currency forward contracts (1)	4,173	—	4,173	Other liabilities	—	4,173
Foreign currency forward contracts (3)	579	53	526	Other liabilities	—	526
Energy and weather contracts	33,678	19,160	14,518	Other liabilities	—	14,518
Total	\$38,471	\$19,213	\$19,258		\$41	\$19,217

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(2) Contracts used to manage foreign currency risks in investment operations.

(3) Contracts used to manage foreign currency risks in energy and risk operations.

Refer to "Note 3. Investments" for information on reverse repurchase agreements.

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Three months ended March 31,		2013	2012
Interest rate futures	Net investment income	\$2	\$1,030
Foreign currency forward contracts (1)	Net foreign exchange gains (losses)	2,388	3,552
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	1,678	(4,248 )
Foreign currency forward contracts (3)	Net foreign exchange gains (losses)	1,545	137
Credit default swaps	Net investment income	434	558
Energy and weather contracts	Other income (loss)	14,656	(28,713 )
Total		\$20,703	\$(27,684 )

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(2) Contracts used to manage foreign currency risks in investment operations.

(3) Contracts used to manage foreign currency risks in energy and risk operations.

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at March 31, 2013.

#### Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which can include increasing or decreasing its exposure to this risk. At March 31, 2013, the Company had \$434.1 million of notional long positions and \$317.6 million of notional short positions of primarily Eurodollar, U.S. treasury and non-U.S. dollar futures contracts (December 31, 2012 – \$377.8 million and \$310.7 million, respectively). The fair value of these derivatives is determined using exchange traded prices.

#### Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-U.S. dollar denominated investments classified as available for sale and non-monetary assets and liabilities, are recognized currently in the Company's consolidated statements of operations.

#### Underwriting Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At March 31, 2013, the Company had outstanding underwriting related foreign currency contracts of \$417.4 million in notional long positions and \$230.6 million notional in short positions, denominated in U.S. dollars (December 31, 2012 – \$446.2 million and \$119.5 million, respectively).

#### Investment Portfolio Related Foreign Currency Forward Contracts

The Company's investment operations are exposed to currency fluctuations through its investments in non-U.S. dollar fixed maturity investments, short term investments and other investments. To economically hedge its exposure to currency fluctuations from these investments, the Company has entered into foreign currency forward contracts. Foreign exchange gains (losses) associated with the Company's hedging of these non-U.S. dollar investments are recorded in net foreign exchange gains (losses) in its consolidated statements of operations. The fair value of the Company's investment portfolio related foreign currency forward contracts is determined using an interpolated rate based on closing forward market rates. At March 31, 2013, the Company had outstanding investment portfolio related foreign currency contracts of \$275.2 million in notional long positions and \$314.9 million in notional short positions, denominated in U.S. dollars (December 31, 2012 – \$176.7 million and \$217.4 million, respectively).

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

The Company's energy and risk operations are exposed to currency fluctuations through certain derivative transactions it enters into that are denominated in non-U.S. dollars. The Company may, from time to time, use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with these operations. The fair value of the Company's energy and risk operations related foreign currency contracts is based on exchange traded prices. At March 31, 2013, the Company's energy and risk operations had foreign currency contracts of \$Nil in notional long positions and \$47.4 million in notional short positions, denominated in U.S. dollars (December 31, 2012 – \$Nil and \$38.2 million, respectively).

#### Credit Derivatives

The Company's exposure to credit risk is primarily due to its fixed maturity investments, short term investments, premiums receivable and reinsurance recoverable. From time to time, the Company purchases credit derivatives to hedge its exposures in the insurance industry, and to assist in managing the credit risk associated with ceded reinsurance. The Company also employs credit derivatives in its investment portfolio to either assume credit risk or hedge its credit exposure. The fair value of the credit derivatives is determined using industry valuation models, broker bid indications or internal pricing valuation techniques. The fair value of these credit derivatives can change based on a variety of factors including changes in credit spreads, default rates and recovery rates, the correlation of credit risk between the referenced credit and the counterparty, and market rate inputs such as interest rates. At March 31, 2013, the Company had outstanding credit derivatives of \$4.7 million in notional long positions and \$27.2 million in notional short positions, denominated in U.S. dollars (December 31, 2012 – \$46.1 million and \$24.0 million, respectively).

#### Energy and Weather-Related Derivatives

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

As of the dates set forth below, the Company had the following gross derivative contract positions outstanding relating to its energy and weather derivatives trading activities.

	Quantity (1) March 31, 2013	December 31, 2012	Unit of measurement
Energy	106,602,407	107,521,592	One million British thermal units ("MMBTUs")
Temperature	4,246,626	8,168,052	\$ per Degree Day Fahrenheit
Precipitation	4,808,787	4,453,934	\$ per Inch

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

#### NOTE 12. COMMITMENTS AND CONTINGENCIES

There are no material changes from the commitments and contingencies previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

##### Legal Proceedings

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

#### NOTE 13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT OF SUBSIDIARIES

The following tables present condensed consolidating balance sheets at March 31, 2013 and December 31, 2012, condensed consolidating statements of operations and condensed consolidating statements of comprehensive income for the three months ended March 31, 2013 and 2012, and condensed consolidating statements of cash flows for the three months ended March 31, 2013 and 2012, respectively, for RenaissanceRe, RRNAH and RenaissanceRe's other subsidiaries. RRNAH is a 100% owned subsidiary of RenaissanceRe.

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

Condensed Consolidating Balance Sheet at March 31, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Assets					
Total investments	\$215,197	\$40,137	\$6,045,105	\$—	\$6,300,439
Cash and cash equivalents	2,842	1,484	331,299	—	335,625
Investments in subsidiaries	3,133,836	124,129	—	(3,257,965)	) —
Due from subsidiaries and affiliates	177,136	88	—	(177,224)	) —
Premiums receivable	—	—	654,368	—	654,368
Prepaid reinsurance premiums	—	—	170,216	—	170,216
Reinsurance recoverable	—	—	162,948	—	162,948
Accrued investment income	123	98	29,700	—	29,921
Deferred acquisition costs	—	—	77,914	—	77,914
Other assets	112,284	15,701	351,752	(114,248)	) 365,489
Total assets	\$3,641,418	\$181,637	\$7,823,302	\$(3,549,437)	) \$8,096,920
Liabilities, Noncontrolling Interests and Shareholders' Equity					
Liabilities					
Reserve for claims and claim expenses	\$—	\$—	\$1,755,783	\$—	\$1,755,783
Unearned premiums	—	—	658,209	—	658,209
Debt	—	249,362	4,953	—	254,315
Amounts due to subsidiaries and affiliates	71,330	5,047	—	(76,377)	) —
Reinsurance balances payable	—	—	380,939	—	380,939
Other liabilities	6,983	758	597,519	(208)	) 605,052
Total liabilities	78,313	255,167	3,397,403	(76,585)	) 3,654,298
Redeemable noncontrolling interest – DaVinciRe	—	—	875,770	—	875,770
Shareholders' Equity					
Total shareholders' equity	3,563,105	(73,530)	) 3,550,129	(3,472,852)	) 3,566,852
Total liabilities, noncontrolling interests and shareholders' equity	\$3,641,418	\$181,637	\$7,823,302	\$(3,549,437)	) \$8,096,920

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

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



Condensed Consolidating Balance Sheet at December 31, 2012	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Assets					
Total investments	\$572,139	\$49,618	\$5,738,890	\$—	\$6,360,647
Cash and cash equivalents	6,298	1,528	317,532	—	325,358
Investments in subsidiaries	2,864,793	113,856	—	(2,978,649	) —
Due from subsidiaries and affiliates	53,296	117	—	(53,413	) —
Premiums receivable	—	—	491,365	—	491,365
Prepaid reinsurance premiums	—	—	77,082	—	77,082
Reinsurance recoverable	—	—	192,512	—	192,512
Accrued investment income	2,535	69	30,874	—	33,478
Deferred acquisition costs	—	—	52,622	—	52,622
Other assets	175,105	15,754	320,198	(115,493	) 395,564
Total assets	\$3,674,166	\$180,942	\$7,221,075	\$(3,147,555	) \$7,928,628
Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity					
Liabilities					
Reserve for claims and claim expenses	\$—	\$—	\$1,879,377	\$—	\$1,879,377
Unearned premiums	—	—	399,517	—	399,517
Debt	100,000	249,339	2,436	—	351,775
Amounts due to subsidiaries and affiliates	11,371	5,593	—	(16,964	) —
Reinsurance balances payable	—	—	290,419	—	290,419
Other liabilities	59,730	4,572	469,381	(1,458	) 532,225
Total liabilities	171,101	259,504	3,041,130	(18,422	) 3,453,313
Redeemable noncontrolling interest – DaVinciRe	—	—	968,259	—	968,259
Shareholders' Equity					
Total shareholders' equity	3,503,065	(78,562	) 3,211,686	(3,129,133	) 3,507,056
Total liabilities, redeemable noncontrolling interest and shareholders' equity	\$3,674,166	\$180,942	\$7,221,075	\$(3,147,555	) \$7,928,628

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

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

Condensed Consolidating Statement of Operations for the three months ended March 31, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Revenues					
Net premiums earned	\$—	\$—	\$271,255	\$—	\$271,255
Net investment income	1,550	239	42,818	(992)	43,615
Net foreign exchange (losses) gains	(50)	) —	1,806	—	1,756
Equity in earnings of other ventures	—	—	5,835	—	5,835
Other income (loss)	106	(1,195)	) 8,093	—	7,004
Net realized and unrealized (losses) gains on investments	(1,286)	) 31	15,105	—	13,850
Total revenues	320	(925)	) 344,912	(992)	) 343,315
Expenses					
Net claims and claim expenses incurred	—	—	27,251	—	27,251
Acquisition expenses	—	—	25,009	—	25,009
Operational expenses	(1,222)	) 2,449	44,935	(148)	) 46,014
Corporate expenses	3,902	59	568	—	4,529
Interest expense	734	3,617	683	—	5,034
Total expenses	3,414	6,125	98,446	(148)	) 107,837
(Loss) income before equity in net income of subsidiaries and taxes	(3,094)	) (7,050)	) 246,466	(844)	) 235,478
Equity in net income of subsidiaries	199,843	11,288	—	(211,131)	) —
Income before taxes	196,749	4,238	246,466	(211,975)	) 235,478
Income tax benefit (expense)	—	308	(430)	) —	(122)
Net income	196,749	4,546	246,036	(211,975)	) 235,356
Net loss attributable to noncontrolling interests	—	—	(38,607)	) —	(38,607)
Net income attributable to RenaissanceRe	196,749	4,546	207,429	(211,975)	) 196,749
Dividends on preference shares	(6,275)	) —	—	—	(6,275)
Net income attributable to RenaissanceRe common shareholders	\$190,474	\$4,546	\$207,429	\$(211,975)	) \$190,474

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

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

Condensed Consolidating Statement of Comprehensive Income for the three months ended March 31, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Comprehensive income					
Net income	\$ 196,749	\$ 4,546	\$ 246,036	\$(211,975 )	\$ 235,356
Change in net unrealized gains on investments	—	—	(7,572 )	—	(7,572 )
Comprehensive income	196,749	4,546	238,464	(211,975 )	227,784
Net income attributable to noncontrolling interests	—	—	(38,607 )	—	(38,607 )
Comprehensive income attributable to noncontrolling interests	—	—	(38,607 )	—	(38,607 )
Comprehensive income attributable to RenaissanceRe	\$ 196,749	\$ 4,546	\$ 199,857	\$(211,975 )	\$ 189,177

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

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

Condensed Consolidating Statement of Operations for the three months ended March 31, 2012	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated	
Revenues						
Net premiums earned	\$—	\$—	\$278,665	\$—	\$278,665	
Net investment income	4,448	269	64,359	(2,105	) 66,971	
Net foreign exchange gains (losses)	20	—	(1,480	) —	(1,460	)
Equity in earnings of other ventures	—	—	5,470	—	5,470	
Other income (loss)	92	—	(39,186	) —	(39,094	)
Net realized and unrealized gains on investments	3,512	1,044	41,557	—	46,113	
Net other-than-temporary impairments	—	—	(134	) —	(134	)
Total revenues	8,072	1,313	349,251	(2,105	) 356,531	
Expenses						
Net claims and claim expenses incurred	—	—	15,552	—	15,552	
Acquisition expenses	—	—	24,111	—	24,111	
Operational expenses	(1,311	) 2,008	41,686	—	42,383	
Corporate expenses	4,178	93	540	—	4,811	
Interest expense	1,469	3,617	632	—	5,718	
Total expenses	4,336	5,718	82,521	—	92,575	
Income (loss) before equity in net loss of subsidiaries and taxes	3,736	(4,405	) 266,730	(2,105	) 263,956	
Equity in net income (loss) of subsidiaries	206,443	(30,268	) —	(176,175	) —	
Income (loss) from continuing operations before taxes	210,179	(34,673	) 266,730	(178,280	) 263,956	
Income tax (expense) benefit	—	(2,568	) 2,605	—	37	
Income (loss) from continuing operations	210,179	(37,241	) 269,335	(178,280	) 263,993	
Loss from discontinued operations	—	(173	) —	—	(173	)
Net income (loss)	210,179	(37,414	) 269,335	(178,280	) 263,820	
Net income attributable to redeemable noncontrolling interest – DaVinciRe	—	—	(53,641	) —	(53,641	)
Net income (loss) attributable to RenaissanceRe	210,179	(37,414	) 215,694	(178,280	) 210,179	
Dividends on preference shares	(8,750	) —	—	—	(8,750	)
	\$201,429	\$(37,414	) \$215,694	\$(178,280	) \$201,429	

Net income (loss) available  
(attributable) to RenaissanceRe  
common shareholders

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

46

---

Condensed Consolidating Statement of Comprehensive Income (Loss) for the three months ended March 31, 2012	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Comprehensive income (loss)					
Net income (loss)	\$210,179	\$(37,414 )	\$269,335	\$(178,280 )	\$263,820
Change in net unrealized gains on investments	—	—	1,255	—	1,255
Portion of other-than-temporary impairments recognized in other comprehensive income (loss)	—	—	(27 )	—	(27 )
Comprehensive income (loss)	210,179	(37,414 )	270,563	(178,280 )	265,048
Net income attributable to noncontrolling interests	—	—	(53,641 )	—	(53,641 )
Comprehensive income attributable to noncontrolling interests	—	—	(53,641 )	—	(53,641 )
Comprehensive income (loss) attributable to RenaissanceRe	\$210,179	\$(37,414 )	\$216,922	\$(178,280 )	\$211,407

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

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

Condensed Consolidating Statement of Cash Flows for the three months ended March 31, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	RenaissanceRe Consolidated
Cash flows (used in) provided by operating activities				
Net cash (used in) provided by operating activities	\$(38,748	) \$(10,446	) \$177,696	\$128,502
Cash flows provided by investing activities				
Proceeds from sales and maturities of fixed maturity investments trading	398,658	41,451	1,909,557	2,349,666
Purchases of fixed maturity investments trading	(20,604	) (27,121	) (2,027,363	) (2,075,088
Proceeds from sales and maturities of fixed maturity investments available for sale	—	—	37,699	37,699
Sales of equity investments trading	—	—	67,073	67,073
Net sales (purchases) of short term investments	27,794	(4,912	) (215,439	) (192,557
Net sales of other investments	—	—	33,080	33,080
Dividends and return of capital from subsidiaries	32,152	2,126	(34,278	) —
Contributions to subsidiaries	(184,115	) (625	) 184,740	—
Due to (from) subsidiary	11,310	(517	) (10,793	) —
Net cash provided by investing activities	265,195	10,402	(55,724	) 219,873
Cash flows used in financing activities				
Dividends paid – RenaissanceRe common shares	(12,329	) —	—	(12,329
Dividends paid – preference shares	(6,275	) —	—	(6,275
RenaissanceRe common share repurchases	(111,299	) —	—	(111,299
Net (repayment) drawdown of debt	(100,000	) —	2,517	(97,483
Third party DaVinciRe share transactions	—	—	(114,154	) (114,154
Net cash used in financing activities	(229,903	) —	(111,637	) (341,540
Effect of exchange rate changes on foreign currency cash	—	—	3,432	3,432
Net (decrease) increase in cash and cash equivalents	(3,456	) (44	) 13,767	10,267
Cash and cash equivalents, beginning of period	6,298	1,528	317,532	325,358
Cash and cash equivalents, end of period	\$2,842	\$1,484	\$331,299	\$335,625

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

Condensed Consolidating Statement of Cash Flows for the three months ended March 31, 2012	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	RenaissanceRe Consolidated
Cash flows (used in) provided by operating activities				
Net cash (used in) provided by operating activities	\$(74	) \$(11,568	) \$182,746	\$171,104
Cash flows provided by (used in) investing activities				
Proceeds from sales and maturities of fixed maturity investments trading	382,538	92,508	2,181,250	2,656,296
Purchases of fixed maturity investments trading	(302,878	) (49,796	) (2,198,575	) (2,551,249
Proceeds from sales and maturities of fixed maturity investments available for sale	—	—	20,385	20,385
Net purchases of short term investments	(43,739	) (1,729	) (260,399	) (305,867
Net purchases of other investments	—	—	(9,663	) (9,663
Net sales of other assets	—	—	125	125
Dividends and return of capital from subsidiaries	185,961	4,299	(190,260	) —
Contributions to subsidiaries	(200,769	) (36,700	) 237,469	—
Due to (from) subsidiaries	7,965	(1,194	) (6,771	) —
Net cash provided by (used in) investing activities	29,078	7,388	(226,439	) (189,973
Cash flows (used in) provided by financing activities				
Dividends paid – RenaissanceRe common shares	(13,886	) —	—	(13,886
Dividends paid – preference shares	(8,750	) —	—	(8,750
RenaissanceRe common share repurchases	(3,635	) —	—	(3,635
Third party DaVinciRe share transactions	—	—	88,146	88,146
Net cash (used in) provided by financing activities	(26,271	) —	88,146	61,875
Effect of exchange rate changes on foreign currency cash	—	—	992	992
Net increase (decrease) in cash and cash equivalents	2,733	(4,180	) 45,445	43,998
Cash and cash equivalents, beginning of period	10,606	4,920	201,458	216,984
Cash and cash equivalents, end of period	\$13,339	\$740	\$246,903	\$260,982

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



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

The following is a discussion and analysis of our results of operations for the three months ended March 31, 2013 and 2012, respectively. The following also includes a discussion of our liquidity and capital resources at March 31, 2013. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto included in this filing and the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. This filing contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from the results described or implied by these forward-looking statements. See "Note on Forward-Looking Statements."

### OVERVIEW

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

Our core products include property catastrophe reinsurance, which we primarily write through our principal operating subsidiary Renaissance Reinsurance, Syndicate 1458, and joint ventures, principally DaVinci and Top Layer Re; specialty reinsurance risks written through Renaissance Reinsurance, RenaissanceRe Specialty Risks, Syndicate 1458 and DaVinci; and other insurance products primarily written through Syndicate 1458. We believe that we are one of the world's leading providers of property catastrophe reinsurance. We also believe we have a strong position in certain specialty reinsurance lines of business and a growing presence in the Lloyd's marketplace. Our reinsurance and insurance products are principally distributed through intermediaries, with whom we seek to cultivate strong long-term relationships. We continually explore appropriate and efficient ways to address the risk needs of our clients. We have created and managed several alternative capital vehicles in the past and may create additional shorter duration or other risk bearing vehicles in the future.

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

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

Our expenses primarily consist of: (1) net claims and claim expenses incurred on the policies of reinsurance and insurance we sell; (2) acquisition costs which typically represent a percentage of the premiums we write; (3) operating expenses which primarily consist of personnel expenses, rent and other operating expenses; (4) corporate expenses which include certain executive, legal and consulting expenses, costs for research and development, and other miscellaneous costs, including those associated with operating as a



publicly traded company; (5) redeemable noncontrolling interest - DaVinciRe, which represents the interest of third parties with respect to the net income (loss) of DaVinciRe; and (6) interest and dividend costs related to our debt and preference shares. We are also subject to taxes in certain jurisdictions in which we operate; however, since the majority of our income is currently earned in Bermuda, a non-taxable jurisdiction, the tax impact to our operations has historically been minimal.

The operating results, also known as the underwriting results, of an insurance or reinsurance company are discussed frequently by reference to its net claims and claim expense ratio, underwriting expense ratio, and combined ratio. The net claims and claim expense ratio is calculated by dividing net claims and claim expenses incurred by net premiums earned. The underwriting expense ratio is calculated by dividing underwriting expenses (acquisition expenses and operational expenses) by net premiums earned. The combined ratio is the sum of the net claims and claim expense ratio and the underwriting expense ratio. A combined ratio below 100% generally indicates profitable underwriting prior to the consideration of investment income. A combined ratio over 100% generally indicates unprofitable underwriting prior to the consideration of investment income. We also discuss our net claims and claim expense ratio on an accident year basis. This ratio is calculated by taking net claims and claim expenses, excluding development on net claims and claim expenses from events that took place in prior fiscal years, divided by net premiums earned.

#### Segments

Our reportable segments currently include: (1) Reinsurance, which includes catastrophe reinsurance, specialty reinsurance and certain property catastrophe and specialty joint ventures and (2) Lloyd's, which includes reinsurance and insurance business written through Syndicate 1458. In addition, our Other category primarily reflects our: strategic investments; weather and energy risk management operations; investments unit; corporate expenses, capital servicing costs and noncontrolling interests; results of our discontinued operations; and the remnants of our Bermuda-based insurance operations not sold pursuant to our 2011 stock purchase agreement with QBE Holdings, Inc.

#### Reinsurance

Our Reinsurance segment has two main units and is managed by our President and Global Chief Underwriting Officer, who leads a team of underwriters, risk modelers and other industry professionals, who have access to our proprietary risk management, underwriting and modeling resources and tools.

Property catastrophe reinsurance, principally written for our own account and for DaVinci, is our traditional core business. We believe we are one of the world's leading providers of this coverage, based on total catastrophe gross premiums written. This coverage protects against large natural catastrophes, such as earthquakes, hurricanes and (1) tsunamis, as well as claims arising from other natural and man-made catastrophes such as winter storms, freezes, floods, fires, wind storms, tornadoes, explosions and acts of terrorism. We offer this coverage to insurance companies and other reinsurers primarily on an excess of loss basis. This means that we begin paying when our customers' claims from a catastrophe exceed a certain retained amount.

Specialty reinsurance, also principally written for our own account and for DaVinci, covering certain targeted classes of business where we believe we have a sound basis for underwriting and pricing the risk that we assume. Our portfolio includes various classes of business, such as catastrophe exposed workers' compensation, surety, terrorism, energy, aviation, crop, political risk, trade credit, financial, mortgage guarantee, catastrophe-exposed (2) personal lines property, casualty clash, certain other casualty lines and other specialty lines of reinsurance that we collectively refer to as specialty reinsurance. We believe that we are seen as a market leader in certain of these classes of business. We are seeking to expand our specialty reinsurance operations over time, although we cannot assure you that we will do so, particularly in light of current and forecasted market conditions. Our specialty reinsurance business is typically significantly impacted by a comparably small number of relatively large transactions.

#### Lloyd's

Our Lloyd's segment includes insurance and reinsurance business written for our own account through Syndicate 1458. The syndicate enhances our underwriting platform by providing access to Lloyd's extensive distribution network and worldwide licenses. RenaissanceRe CCL, an indirect wholly owned subsidiary of the Company, is the sole corporate member of Syndicate 1458. We anticipate that Syndicate 1458's absolute and relative contributions to our consolidated results of operations will have a meaningful impact over time, although we cannot assure you we will succeed in executing our growth strategy in respect of Syndicate 1458, or that its results will be favorable.

#### Other

Our Other category primarily includes the results of: (1) our share of strategic investments in certain markets we believe offer attractive risk-adjusted returns or where we believe our investment adds value, and where, rather than assuming exclusive management responsibilities ourselves, we partner with other market participants; (2) our weather and energy risk management operations primarily through Renaissance Trading and REAL; (3) our investment unit which manages and invests the funds generated by our consolidated operations; (4) corporate expenses, capital services costs and noncontrolling interests; (5) the results of our discontinued operations; and (6) the remnants of our Bermuda-based insurance operations.

#### New Business

From time to time we consider diversification into new ventures, either through organic growth, the formation of new joint ventures, or the acquisition of or the investment in other companies or books of business of other companies. This potential diversification includes opportunities to write targeted, additional classes of risk-exposed business, both directly for our own account and through possible new joint venture opportunities. We also regularly evaluate potential strategic opportunities that we believe might utilize our skills, capabilities, proprietary technology and relationships to support possible expansion into further risk-related coverages, services and products. Generally, we focus on underwriting or trading risks where reasonably sufficient data may be available, and where our analytical abilities may provide us a competitive advantage, in order for us to seek to model estimated probabilities of losses and returns in accordance with our approach in respect of our then current portfolio of risks.

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

Effective January 1, 2013, the Company formed and launched a new managed joint venture, Upsilon Re II. Upsilon Re II is a partially owned subsidiary of RenaissanceRe and a Bermuda domiciled special purpose insurer providing additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market for the 2013 underwriting year. Our ownership interest in Upsilon Re II could change over time, perhaps materially so, and we may also elect to underwrite additional risks within Upsilon Re II in future underwriting years. We cannot assure you that additional opportunities to grow the business we have accessed through Upsilon Re II will be realized, however. See "Note 7. Variable Interest Entities" in our notes to the consolidated financial statements for additional information related to Upsilon Re II.

#### Risk Management

We seek to develop and effectively utilize sophisticated computer models and other analytical tools to assess and manage the risks that we underwrite and attempt to optimize our portfolio of reinsurance and insurance contracts and other financial risks. Our policies, procedures, tools and resources to monitor and assess our operational risks companywide, as well as our global enterprise-wide risk management practices, are overseen by our Chief Risk Officer, who reports directly to our Chief Financial Officer.

With respect to our Reinsurance operations, since 1993 we have developed and continuously seek to improve our proprietary, computer-based pricing and exposure management system, REMS©. We believe that REMS©, as updated from time to time, is a more robust underwriting and risk management system than is currently commercially available elsewhere in the reinsurance industry and offers us a significant competitive advantage. REMS© was originally developed to analyze catastrophe risks, though we continuously seek ways to enhance the program in order to analyze other classes of risk.

#### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations found in our Annual Report on Form 10-K for the year ended December 31, 2012.

## SUMMARY OF RESULTS OF OPERATIONS

Below is a discussion of the results of operations for the three months ended March 31, 2013 compared to the three months ended March 31, 2012.

Three months ended March 31, (in thousands, except per share amounts and percentages)	2013	2012	Change	
Statement of operations highlights				
Gross premiums written	\$635,418	\$664,151	\$(28,733)	)
Net premiums written	436,813	492,575	(55,762)	)
Net premiums earned	271,255	278,665	(7,410)	)
Net claims and claim expenses incurred	27,251	15,552	11,699	
Underwriting income	172,981	196,619	(23,638)	)
Net investment income	43,615	66,971	(23,356)	)
Net realized and unrealized gains on investments	13,850	46,113	(32,263)	)
Net income	235,356	263,820	(28,464)	)
Net income available to RenaissanceRe common shareholders	190,474	201,429	(10,955)	)
Net income available to RenaissanceRe common shareholders per common share – diluted	\$4.23	\$3.88	\$0.35	
Dividends per common share	\$0.28	\$0.27	\$0.01	
Key ratios				
Net claims and claim expense ratio – current accident year	23.9	% 25.6	% (1.7)	)%
Net claims and claim expense ratio – prior accident years	(13.9)	)% (20.0)	)% 6.1	%
Net claims and claim expense ratio – calendar year	10.0	% 5.6	% 4.4	%
Underwriting expense ratio	26.2	% 23.8	% 2.4	%
Combined ratio	36.2	% 29.4	% 6.8	%
Return on average common equity - annualized	24.3	% 25.6	% (1.3)	)%
Book value	March 31, 2013	December 31, 2012	Change	
Book value per common share	\$71.07	\$68.14	\$2.93	
Accumulated dividends per common share	12.28	12.00	0.28	
Book value per common share plus accumulated dividends	\$83.35	\$80.14	\$3.21	
Change in book value per common share plus change in accumulated dividends	4.7	%		
Balance sheet highlights	March 31, 2013	December 31, 2012	Change	
Total assets	\$8,096,920	\$7,928,628	\$168,292	
Total shareholders' equity attributable to RenaissanceRe	\$3,563,105	\$3,503,065	\$60,040	

Net income available to RenaissanceRe common shareholders was \$190.5 million in the first quarter of 2013, compared to \$201.4 million in the first quarter of 2012, a decrease of \$11.0 million. As a result of our net income available to RenaissanceRe common shareholders in the first quarter of 2013, we generated an annualized return on average common equity of 24.3% and our book value per common share increased from \$68.14 at December 31, 2012 to \$71.07 at March 31, 2013, a 4.7% increase, after considering the change in accumulated dividends paid to our common shareholders.

The most significant events affecting our financial performance during the first quarter of 2013, on a comparative basis to the first quarter of 2012, include:

Lower Underwriting Results - our underwriting income of \$173.0 million in the first quarter of 2013 decreased \$23.6 million from \$196.6 million in the first quarter of 2012, primarily driven by a \$11.7 million increase in net claims and claim expenses as a result of less favorable development occurring during the quarter and a \$7.4 million decrease in net premiums earned due to a combination of reduced gross premiums written and an increase in ceded premiums written primarily within the Company's catastrophe unit, as discussed below;

Lower Investment Results - net investment income and net realized and unrealized gains on investments in the first quarter of 2013 decreased \$23.4 million and \$32.3 million, respectively, compared to the first quarter of 2012. The decrease was driven by lower total returns in the Company's fixed maturity investment portfolio compared to the comparative quarter, combined with lower returns in the Company's portfolio of other investments, principally as a result of lower returns for the Company's private equity investments; and partially offset by

Improved Other Income - our other income improved \$46.1 million to income of \$7.0 million in the first quarter of 2013, compared to a loss of \$39.1 million in the the first quarter of 2012, primarily due to \$8.7 million of income in our weather and energy risk management operations, compared to a loss of \$35.5 million from such operations in the first quarter of 2012 which was driven by unusually warm weather experienced in parts of the United Kingdom and the United States during such quarter; and

Net Income Attributable to Redeemable Noncontrolling Interest - DaVinciRe - our net income attributable to redeemable noncontrolling interest - DaVinciRe was \$38.6 million in the first quarter of 2013, compared to \$53.6 million in the first quarter of 2012, a decrease of \$15.0 million, principally due to a decrease in profitability of DaVinciRe, partially offset by a decrease in the Company's ownership percentage in DaVinciRe from 34.7% at March 31, 2012 to 32.9% at March 31, 2013, consequently increasing redeemable noncontrolling interest - DaVinciRe.

## Underwriting Results by Segment

## Reinsurance Segment

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

## Reinsurance segment overview

Three months ended March 31, (in thousands, except percentages)	2013	2012	Change
Gross premiums written	\$561,126	\$609,762	\$(48,636 )
Net premiums written	\$380,872	\$458,638	\$(77,766 )
Net premiums earned	\$233,460	\$253,818	\$(20,358 )
Net claims and claim expenses incurred	13,400	8,324	5,076
Acquisition expenses	18,059	19,386	(1,327 )
Operational expenses	33,675	32,044	1,631
Underwriting income	\$168,326	\$194,064	\$(25,738 )
Net claims and claim expenses incurred – current accident year	\$47,029	\$55,144	\$(8,115 )
Net claims and claim expenses incurred – prior accident years	(33,629 )	(46,820 )	13,191
Net claims and claim expenses incurred – total	\$13,400	\$8,324	\$5,076
Net claims and claim expense ratio – current accident year	20.1	% 21.7	% (1.6 )%
Net claims and claim expense ratio – prior accident years	(14.4 )%	(18.4 )%	4.0 %
Net claims and claim expense ratio – calendar year	5.7	% 3.3	% 2.4 %
Underwriting expense ratio	22.2	% 20.2	% 2.0 %
Combined ratio	27.9	% 23.5	% 4.4 %

**Reinsurance Segment Gross Premiums Written** – Gross premiums written in our Reinsurance segment decreased by \$48.6 million, or 8.0%, to \$561.1 million in the first quarter of 2013, compared to \$609.8 million in the first quarter of 2012, as a result of a \$30.4 million decrease in the Company's catastrophe unit reflecting the non-renewal or renewal at lower rates for a number of contracts during the January 2013 renewals and an \$18.2 million decrease in the Company's specialty unit primarily due to the timing of certain multi-year contracts in the comparative quarter. Our Reinsurance segment premiums are prone to significant volatility due to the timing of contract inception and also due to the business being characterized by a relatively small number of relatively large transactions. In addition, our property catastrophe reinsurance gross premiums written continue to be characterized by a large percentage of U.S. and Caribbean premium as we have found business derived from exposures in Europe and the rest of the world to be, in general, less attractive on a risk-adjusted basis during recent periods. A significant amount of our U.S. and Caribbean premium provides coverage against windstorms, notably including U.S. Atlantic windstorms, as well as earthquakes and other natural and man-made catastrophes.

**Reinsurance Segment Ceded Premiums Written** – Ceded premiums written in our Reinsurance segment increased by \$29.1 million to \$180.3 million in the first quarter of 2013, compared to \$151.1 million in the first quarter of 2012, reflecting the inception of new contracts and the external cession of \$30.7 million of premium related to Upsilon Re II, the Company's latest managed joint venture.



Reinsurance Segment Underwriting Results – Our Reinsurance segment generated underwriting income of \$168.3 million in the first quarter of 2013, compared to \$194.1 million in the first quarter of 2012, a decrease of \$25.7 million. In the first quarter of 2013, our Reinsurance segment generated a net claims and claim expense ratio of 5.7%, an underwriting expense ratio of 22.2% and a combined ratio of 27.9%, compared to 3.3%, 20.2% and 23.5%, respectively, in the first quarter of 2012.

The \$25.7 million decrease in the Reinsurance segment's underwriting result and 4.4 percentage point increase in the combined ratio was principally due to a \$20.4 million decrease in net premiums earned due to a decrease in gross premiums written, combined with an increase in ceded premiums written, as discussed above, and an \$5.1 million increase in net claims and claim expenses principally due to lower favorable development on prior years reserves. Our Reinsurance segment prior year reserves experienced \$33.6 million and \$46.8 million of net favorable development in the first quarter of 2013 and 2012, respectively. The favorable development on prior year reserves in the first quarter of 2013 included \$18.5 million of favorable development related to our catastrophe reinsurance unit and \$15.2 million of favorable development related to our specialty reinsurance unit, as discussed below in the underwriting results of the catastrophe and specialty units, respectively.

We have entered into joint ventures and specialized quota share cessions of our book of business. In accordance with the joint venture and quota share agreements, we are entitled to certain profit commissions and fee income. We record these profit commissions and fees as a reduction in acquisition and operating expenses and, accordingly, these fees have reduced our underwriting expense ratios. These fees totaled \$22.6 million and \$18.3 million in the first quarter of 2013 and 2012, respectively, and resulted in a corresponding decrease to the Reinsurance segment underwriting expense ratio of 9.7% and 7.2%, respectively. In addition, we are entitled to certain fee income and profit commissions from DaVinci. Because the results of DaVinci, and its parent DaVinciRe, are consolidated in our results of operations, these fees and profit commissions are eliminated in our consolidated financial statements and are principally reflected in redeemable noncontrolling interest – DaVinciRe. The net impact of all fees and profit commissions related to these joint ventures and specialized quota share cessions within our Reinsurance segment was \$38.2 million and \$34.7 million in the first quarter of 2013 and 2012, respectively.

## Catastrophe

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

Catastrophe unit overview				
Three months ended March 31, (in thousands, except percentages)	2013	2012	Change	
Property catastrophe gross premiums written				
Renaissance	\$310,002	\$330,427	\$(20,425	)
DaVinci	168,794	178,813	(10,019	)
Total property catastrophe gross premiums written	\$478,796	\$509,240	\$(30,444	)
Net premiums written	\$305,353	\$362,252	\$(56,899	)
Net premiums earned	\$186,651	\$215,055	\$(28,404	)
Net claims and claim expenses incurred	2,708	(3,316	)	6,024
Acquisition expenses	9,620	14,317	(4,697	)
Operational expenses	26,115	25,328	787	
Underwriting income	\$148,208	\$178,726	\$(30,518	)
Net claims and claim expenses incurred – current accident year	\$21,176	\$31,623	\$(10,447	)
Net claims and claim expenses incurred – prior accident years	(18,468	) (34,939	)	16,471
Net claims and claim expenses incurred – total	\$2,708	\$(3,316	)	\$6,024
Net claims and claim expense ratio – current accident year	11.3	% 14.7	% (3.4	)%
Net claims and claim expense ratio – prior accident years	(9.8	)% (16.2	)% 6.4	%
Net claims and claim expense ratio – calendar year	1.5	% (1.5	)% 3.0	%
Underwriting expense ratio	19.1	% 18.4	% 0.7	%
Combined ratio	20.6	% 16.9	% 3.7	%

**Catastrophe Reinsurance Gross Premiums Written** – In the first quarter of 2013, our catastrophe reinsurance gross premiums written decreased by \$30.4 million, or 6.0%, to \$478.8 million, compared to \$509.2 million in the first quarter of 2012, primarily reflecting the non-renewal or renewal at lower rates for a number of contracts during the January 2013 renewals.

Our property catastrophe reinsurance gross premiums written continue to be characterized by a large percentage of U.S. and Caribbean premium, as we have found business derived from exposures in Europe or the rest of the world to be, in general, less attractive on a risk-adjusted basis during recent periods. A significant amount of our U.S. and Caribbean premium provides coverage against windstorms, notably including U.S. Atlantic windstorms, as well as earthquakes and other natural and man-made catastrophes.

**Catastrophe Reinsurance Ceded Premiums Written** – Ceded premiums written in our catastrophe unit increased by \$26.5 million to \$173.4 million in the first quarter of 2013, compared to \$147.0 million in the first quarter of 2012, reflecting the inception of new contracts and the external cession of business in Upsilon Re II, the Company's latest managed joint venture.

**Catastrophe Reinsurance Underwriting Results** – Our catastrophe unit generated underwriting income of \$148.2 million in the first quarter of 2013, compared to \$178.7 million in the first quarter of 2012, a decrease of \$30.5 million. The decrease in underwriting income was principally due to a decrease in favorable development on prior accident years net claims and claim expenses of \$16.5 million, as discussed below, a \$28.4 million decrease in net premiums earned due to the combination of a decrease in gross premiums written and an increase in ceded premiums written, as discussed above, and partially offset by a \$10.4 million decrease in current accident year claims and claim expenses as a result of the relatively low level of insured catastrophes in the first quarter of 2013, compared to the first quarter of

2012.

58

---

In the first quarter of 2013, our catastrophe unit generated a net claims and claim expense ratio of 1.5%, an underwriting expense ratio of 19.1% and a combined ratio of 20.6%, compared to negative 1.5%, 18.4% and 16.9%, respectively, in the first quarter of 2012. As noted above, the catastrophe unit experienced a relatively low level of insured catastrophes in the first quarter of 2013, with \$21.2 million of current accident year net claims and claim expenses related to several relatively small catastrophe events.

During the first quarter of 2013, we experienced \$18.5 million of favorable development on prior year reserves within the catastrophe unit, compared to \$34.9 million in the first quarter of 2012, primarily due to \$4.9 million, \$3.7 million and \$3.4 million of favorable development related to reductions in the expected ultimate net losses for Windstorm Kyrill, the 2011 New Zealand earthquake and the 2008 hurricanes, respectively, as reported claims came in better than expected, and \$13.2 million of net favorable development related to a number of other catastrophes principally the result of reported claims coming in less than expected, resulting in formulaic decreases to the ultimate claims for these events. Partially offsetting the reductions noted above was adverse development of \$4.2 million and \$2.6 million associated with an increase in reported gross ultimate losses on U.S. PCS 70 (a 2012 wind and thunderstorm event) and hurricane Isaac, respectively.

The favorable development of \$34.9 million in the first quarter of 2012 was primarily due to \$17.3 million, \$4.6 million and \$1.9 million of reductions in the expected ultimate net losses related to flooding in the United Kingdom (2007), hurricane Irene and the 2005 hurricanes, respectively, with the remainder due to better than expected claims emergence associated with a number of other catastrophes.

#### Specialty

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

#### Specialty unit overview

Three months ended March 31, (in thousands, except percentages)	2013	2012	Change
Specialty gross premiums written			
Renaissance	\$81,617	99,545	\$(17,928 )
DaVinci	713	977	(264 )
Total specialty gross premiums written	\$82,330	\$100,522	\$(18,192 )
Net premiums written	\$75,519	\$96,386	\$(20,867 )
Net premiums earned	\$46,809	\$38,763	\$8,046
Net claims and claim expenses incurred	10,692	11,640	(948 )
Acquisition expenses	8,439	5,069	3,370
Operational expenses	7,560	6,716	844
Underwriting income	\$20,118	\$15,338	\$4,780
Net claims and claim expenses incurred – current accident year	\$25,853	\$23,521	\$2,332
Net claims and claim expenses incurred – prior accident years	(15,161 )	(11,881 )	(3,280 )
Net claims and claim expenses incurred – total	\$10,692	\$11,640	\$(948 )
Net claims and claim expense ratio – current accident year	55.2	% 60.7	% (5.5 )%
Net claims and claim expense ratio – prior accident years	(32.4	)% (30.7	)% (1.7 )%
Net claims and claim expense ratio – calendar year	22.8	% 30.0	% (7.2 )%
Underwriting expense ratio	34.2	% 30.4	% 3.8 %
Combined ratio	57.0	% 60.4	% (3.4 )%



**Specialty Reinsurance Gross Premiums Written** – In the first quarter of 2013, our specialty reinsurance gross premiums written decreased \$18.2 million, or 18.1%, to \$82.3 million, compared to \$100.5 million in the first quarter of 2012, primarily due to the timing of certain multi-year contracts written in the first quarter of 2012.

**Specialty Reinsurance Underwriting Results** – Our specialty unit generated underwriting income of \$20.1 million in the first quarter of 2013, compared to \$15.3 million in the first quarter of 2012. The \$4.8 million increase in underwriting income is primarily due to an \$8.0 million increase in net premiums earned as a result of the growth in gross premiums written over the prior twelve months, and partially offset by a \$3.4 million increase in acquisition expenses due to higher net premiums earned.

In the first quarter of 2013, our specialty unit generated a net claims and claim expense ratio of 22.8%, an underwriting expense ratio of 34.2% and a combined ratio of 57.0%, compared to 30.0%, 30.4% and 60.4%, respectively, in the first quarter of 2012.

Current accident year net claims and claim expenses of \$25.9 million was principally comprised of the application of our formulaic reserving methodologies for establishing incurred but not reported reserves for net claims and claim expenses.

The favorable development of \$15.2 million in the first quarter of 2013 was primarily driven by \$10.4 million associated with actuarial assumption changes, principally in our casualty clash and casualty risk lines of business, and primarily as a result of revised claim development factors due to a history of losses being attributed to case reserves on a timely basis, and \$4.7 million due to reported claims coming in lower than expected on prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.

Favorable development of \$11.9 million within our specialty reinsurance unit in the first quarter of 2012 included \$14.4 million associated with actuarial assumption changes, principally in our casualty and medical malpractice lines of business, and primarily as a result of revised initial expected claims ratios and claim development factors due to actual experience coming in better than expected, and partially offset by \$2.5 million of reported losses developing less favorably than expected during the first quarter of 2012 on prior accident years events.

## Lloyd's Segment

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

Lloyd's segment overview				
Three months ended March 31, (in thousands, except percentages)	2013	2012	Change	
Lloyd's gross premiums written				
Specialty	\$55,757	\$39,329	\$16,428	
Catastrophe	18,535	15,488	3,047	
Total Lloyd's gross premiums written	\$74,292	\$54,817	\$19,475	
Net premiums written	\$55,924	\$33,937	\$21,987	
Net premiums earned	\$37,779	\$24,822	\$12,957	
Net claims and claim expenses incurred	14,528	9,001	5,527	
Acquisition expenses	6,916	4,668	2,248	
Operational expenses	12,178	10,057	2,121	
Underwriting income	\$4,157	\$1,096	\$3,061	
Net claims and claim expenses incurred – current accident year	\$17,871	\$16,280	\$1,591	
Net claims and claim expenses incurred – prior accident years	(3,343)	(7,279)	3,936	
Net claims and claim expenses incurred – total	\$14,528	\$9,001	\$5,527	
Net claims and claim expense ratio – current accident year	47.3	% 65.6	% (18.3)	)%
Net claims and claim expense ratio – prior accident years	(8.8)	)% (29.3)	)% 20.5	%
Net claims and claim expense ratio – calendar year	38.5	% 36.3	% 2.2	%
Underwriting expense ratio	50.5	% 59.3	% (8.8)	)%
Combined ratio	89.0	% 95.6	% (6.6)	)%

Lloyd's Gross Premiums Written – Gross premiums written in our Lloyd's segment increased by \$19.5 million, or 35.5%, to \$74.3 million in the first quarter of 2013, compared to \$54.8 million in the first quarter of 2012, primarily due to Syndicate 1458 continuing to organically grow its book of business across the majority of its lines of business. Lloyd's Underwriting Results – Our Lloyd's segment generated underwriting income of \$4.2 million and a combined ratio of 89.0% in the first quarter of 2013, compared to \$1.1 million and 95.6%, respectively, in the first quarter of 2012. Our Lloyd's segment experienced current accident year net claims and claim expenses of \$17.9 million during the first quarter of 2013 which primarily reflected attritional loss activity. Operational expenses increased \$2.1 million to \$12.2 million in the first quarter of 2013, compared to the first quarter of 2012, and principally include compensation and related operating expenses. The decrease in the underwriting expense ratio to 50.5% in the first quarter of 2013, from 59.3% in the first quarter of 2012, was primarily driven by the increase in net premiums earned.

## Net Investment Income

Three months ended March 31, (in thousands)	2013	2012	Change
Fixed maturity investments	\$24,310	\$26,333	\$(2,023 )
Short term investments	318	500	(182 )
Equity investments trading	—	170	(170 )
Other investments			
Hedge funds and private equity investments	14,880	28,473	(13,593 )
Other	6,995	14,170	(7,175 )
Cash and cash equivalents	52	26	26
	46,555	69,672	(23,117 )
Investment expenses	(2,940 )	(2,701 )	(239 )
Net investment income	\$43,615	\$66,971	\$(23,356 )

Net investment income was \$43.6 million in the first quarter of 2013, compared to \$67.0 million in the first quarter of 2012. The \$23.4 million decrease in net investment income was primarily driven by a \$20.8 million decrease related to our portfolio of other investments principally driven by lower returns in our private equity portfolio.

Historically low interest rates as compared to recent years have lowered the yields at which we invest our assets relative to historical levels. We expect these developments, combined with the current composition of our investment portfolio and other factors, to continue to put downward pressure on our net investment income for the near term. The hedge fund, private equity and other investment portfolios are accounted for at fair value with the change in fair value recorded in net investment income which included net unrealized gains of \$15.1 million in the first quarter of 2013, compared to unrealized gains of \$35.3 million in the first quarter of 2012.

During the the first quarter of 2013, we sold essentially our entire portfolio of equity investments trading, which was carried at fair value with dividend income included in net investment income, and realized and unrealized gains included in net realized and unrealized gains on investments, in our consolidated statements of operations.

## Net Realized and Unrealized Gains on Investments and Net Other-Than-Temporary Impairments

Three months ended March 31, (in thousands)	2013	2012	Change
Gross realized gains	\$34,080	\$36,286	\$(2,206 )
Gross realized losses	(4,554 )	(6,950 )	2,396
Net realized gains on fixed maturity investments	29,526	29,336	190
Net unrealized (losses) gains on fixed maturity investments trading	(23,065 )	14,257	(37,322 )
Net realized gains on equity investments trading	17,561	—	17,561
Net unrealized (losses) gains on equity investments trading	(10,172 )	2,520	(12,692 )
Net realized and unrealized gains on investments	\$13,850	\$46,113	\$(32,263 )
Total other-than-temporary impairments	—	(161 )	161
Portion recognized in other comprehensive income, before taxes	—	27	(27 )
Net other-than-temporary impairments	\$—	\$(134 )	\$134



Our investment portfolio is structured to preserve capital and provide us with a high level of liquidity. A large majority of our investments are invested in the fixed income markets and, therefore, our realized holding gains and losses on investments are highly correlated to fluctuations in interest rates. Therefore, as interest rates decline, we will tend to have realized and unrealized gains from our investment portfolio, and as interest rates rise, we will tend to have realized and unrealized losses from our investment portfolio. We experienced net realized and unrealized gains on fixed maturity investments included in our consolidated statements of operations of \$6.5 million during the first quarter of 2013. However, the trend towards historically low interest rates (as compared to recent years) may reverse, resulting in a rising interest rate environment which would tend to diminish our ability to generate net realized gains on our portfolio of fixed maturity investments.

Net realized and unrealized gains on investments were \$13.9 million in the first quarter of 2013, compared to \$46.1 million in the first quarter of 2012, a decrease of \$32.3 million. The net unrealized losses on our fixed maturity investments trading of \$23.1 million during the the first quarter of 2013 deteriorated \$37.3 million, compared to unrealized gains of \$14.3 million in the first quarter of 2012, primarily due to the net depreciation of our fixed maturity investment portfolio as a result of credit spreads remaining relatively stable during the the first quarter of 2013, compared to the the first quarter of 2012 where significant credit spread contraction yielded increased returns from our fixed maturity investment portfolio. As noted above, during the the first quarter of 2013 we sold essentially our entire portfolio of equity investment trading resulting in net realized and unrealized gains of \$7.4 million due to increases in the share prices of our equity positions.

#### Equity in Earnings of Other Ventures

Three months ended March 31, (in thousands)	2013	2012	Change
Top Layer Re	\$4,126	\$4,737	\$(611 )
Tower Hill Companies	1,581	1,117	464
Other	128	(384	) 512
Total equity in earnings of other ventures	\$5,835	\$5,470	\$365

Equity in earnings of other ventures primarily represents our pro-rata share of the net income from our investments in Top Layer Re and the Tower Hill Companies and was \$5.8 million in the first quarter of 2013, compared to \$5.5 million in the first quarter of 2012. The equity in earnings from the Tower Hill Companies is recorded one quarter in arrears.

#### Other Income (Loss)

Three months ended March 31, (in thousands)	2013	2012	Change
Weather and energy risk management operations	\$8,713	\$(35,463	) \$44,176
Assumed and ceded reinsurance contracts accounted for as derivatives and deposits	(1,931	) (1,779	) (152 )
Other items	222	(1,852	) 2,074
Total other income (loss)	\$7,004	\$(39,094	) \$46,098

In the first quarter of 2013, we generated other income of \$7.0 million, compared to incurring an other loss of \$39.1 million in the first quarter of 2012. The \$46.1 million improvement is primarily due to our weather and energy risk management operations generating income of \$8.7 million, compared to incurring a loss of \$35.5 million principally due to the absence of losses experienced during the first quarter of 2012 as a result of unusually warm weather experienced in parts of the United Kingdom and the United States during such quarter. These operations are inherently volatile and we cannot assure you that positive results from these operations will recur in the future.



Certain contracts we enter into in our weather and energy risk operations are informed in part on proprietary weather forecasts provided by our Weather Predict subsidiary. The weather and energy risk operations in which we engage are both seasonal and volatile, and there is no assurance that our performance to date will be indicative of future periods.

We continue to allocate capital to our weather and energy risk management operations. Given current market opportunities, we have ceded a substantial portion of this operation's risk portfolio. Our results from these activities will therefore fluctuate on an absolute or relative basis over time. The weather and energy risk management operations results include net realized and unrealized gains and losses on agreements with end users and net realized and unrealized gains and losses on hedging and trading activities. These activities present certain operational as well as financial risks, which we seek to mitigate, although there can be no assurance that we will be able to successfully mitigate such risks.

#### Corporate Expenses

Three months ended March 31, (in thousands)	2013	2012	Change
Total corporate expenses	\$4,529	\$4,811	\$(282 )

Corporate expenses include certain executive, director, legal and consulting expenses, costs for research and development, impairment charges related to goodwill and other intangible assets, and other miscellaneous costs, including those associated with operating as a publicly traded company. Corporate expenses were relatively flat at \$4.5 million in the first quarter of 2013, compared to \$4.8 million in the first quarter of 2012.

#### Net Income Attributable to Noncontrolling Interests

Three months ended March 31, (in thousands)	2013	2012	Change
Net income attributable to noncontrolling interests	\$(38,607 )	\$(53,641 )	\$15,034

Our net income attributable to the noncontrolling interests was \$38.6 million in the first quarter of 2013, compared to \$53.6 million in the first quarter of 2012. The \$15.0 million change is primarily due to a decrease in the profitability of DaVinciRe and partially offset by a decrease in our ownership in DaVinciRe from 34.7% at March 31, 2012 to 32.9% at March 31, 2013, consequently increasing redeemable noncontrolling interest - DaVinciRe. We expect our ownership in DaVinciRe to fluctuate over time.

#### LIQUIDITY AND CAPITAL RESOURCES

##### Financial Condition

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

The payment of dividends by our subsidiaries is, under certain circumstances, limited under statutory regulations and insurance law, which require our insurance subsidiaries to maintain certain measures of solvency and liquidity. In addition, Bermuda regulations require approval from the Bermuda Monetary Authority ("BMA") for any reduction of capital in excess of 15% of statutory capital, as defined in the Insurance Act. The Insurance Act also requires these Bermuda insurance subsidiaries of the Company to maintain certain measures of solvency and liquidity. At March 31, 2013, the statutory capital and surplus of our Bermuda insurance subsidiaries was \$2.9 billion (December 31, 2012 - \$3.1 billion) and the minimum amount required to be maintained under Bermuda law, the Minimum Solvency Margin, was \$542.1 million (December 31, 2012 - \$554.8 million). During the three months ended March 31, 2013, Renaissance Reinsurance, DaVinciRe and the operating subsidiaries of RenRe Insurance Holdings Ltd. returned capital to our holding company, which included dividends declared and return of capital, net of capital contributions received of \$156.0 million, \$19.8 million and \$Nil, respectively (2012 - \$4.3 million, \$10.7 million and \$Nil, respectively).



Under the Insurance Act, RenaissanceRe Specialty Risks is defined as a Class 3A insurer, and Renaissance Reinsurance and DaVinci are classified as Class 4 insurers, and therefore must maintain capital at a level equal to its enhanced capital requirement ("ECR") which is established by reference to the Bermuda Solvency Capital Requirement ("BSCR") model. The BSCR is a standard mathematical model designed to give the BMA more advanced methods for determining an insurer's capital adequacy. Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the Minimum Solvency Margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA's oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, the ECR shall at all times equal or exceed the respective Class 3A and Class 4 insurer's Minimum Solvency Margin and may be adjusted in circumstances where the BMA concludes that the insurer's risk profile deviates significantly from the assumptions underlying its ECR or the insurer's assessment of its risk management policies and practices used to calculate the ECR applicable to it. While not specifically referred to in the Insurance Act, the BMA has also established a target capital level ("TCL") for each Class 3A and Class 4 insurer equal to 120% of its respective ECR. While a Class 3A or Class 4 insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased BMA regulatory oversight. The 2012 BSCR for RenaissanceRe Specialty Risks, Renaissance Reinsurance and DaVinci were filed with the BMA in advance of the April 30, 2013 deadline and each company exceeded its respective target level of required capital.

RenaissanceRe Corporate Capital (UK) Limited and Syndicate 1458 are subject to oversight by the Council of Lloyd's. RenaissanceRe Syndicate Management Limited is subject to regulation by the Financial Services Authority ("FSA") under the Financial Services and Markets Act 2000. Underwriting capacity of a member of Lloyd's must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd's ("FAL"). This amount is determined by Lloyd's and is based on Syndicate 1458's solvency and capital requirement as calculated through its internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd's Central Fund provides an additional level of security for policyholders. At March 31, 2013, the FAL requirement set by Lloyd's for Syndicate 1458 is £183.2 million based on its business plan, approved in November 2012 (2012 - £93.8 million based on its business plan, approved November 2011). Actual FAL posted for Syndicate 1458 at March 31, 2013 by RenaissanceRe CCL is \$222.0 million and £45.5 million supported 100% by letters of credit (2012 - \$118.5 million and £24.5 million).

As discussed in the "Capital Resources" section below, Renaissance Reinsurance is obligated to make a mandatory capital contribution of up to \$50.0 million in the event that a loss reduces Top Layer Re's capital below a specified level.

In the aggregate, our operating subsidiaries have historically produced sufficient cash flows to meet their expected claims payments and operational expenses and to provide dividend payments to us. Our subsidiaries also maintain a concentration of investments in high quality liquid securities, which management believes will provide additional liquidity for extraordinary claims payments should the need arise. See "Capital Resources" section below.

#### Cash Flows and Liquidity

##### Holding Company Liquidity

As a Bermuda-domiciled holding company, RenaissanceRe has no operations of its own and its assets consist primarily of investments in subsidiaries. Accordingly, RenaissanceRe's future cash flows largely depend on the availability of dividends or other statutorily permissible payments from subsidiaries. The ability to pay such dividends is limited by the applicable laws and regulations of the various countries and states in which these subsidiaries operate, including, among others, Bermuda, the U.S., Ireland, and the U.K. Refer to "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, Financial Condition" for further discussion and details regarding dividend capacity of our major operating subsidiaries.

RenaissanceRe's principal uses of liquidity are: (1) common share related transactions including dividend payments to holders of its common shareholders as well as common share buybacks from time to time; (2) preference share related transactions including dividend payments to its preference shareholders as well as preference share buybacks from time to time; (3) interest and principal payments on debt; (4) capital investments in its subsidiaries; and (5) certain corporate operating expenses.

We attempt to structure our organization such that it facilitates efficient capital movements between RenaissanceRe and its operating subsidiaries and to ensure that adequate liquidity is available when required, giving consideration to applicable laws and regulations, and the domiciliary location of sources of liquidity and related obligations.

#### Sources of Liquidity

Historically, cash receipts from operations, consisting of premiums and investment income, generally have provided sufficient funds to pay losses as well as operating expenses of our subsidiaries and to fund dividends to RenaissanceRe. Cash receipts from operations are generally derived from the receipt of investment income on our investment portfolio as well as the net receipt of premiums less claims and claims expenses related to our underwriting activities. The Company's operating subsidiaries provide liquidity in that premiums are generally received months or even years before losses are paid under the policies related to such premiums. Premiums and acquisition expenses are settled based on terms of trade as stipulated by an underwriting contract, and generally are received within the first year of inception of a policy when the premium is written, but can be longer on certain reinsurance business assumed. Operating expenses are generally paid within a year of being incurred. Claims and claims expenses may take a much longer time before they are reported and ultimately settled, requiring the establishment of reserves for claims and claim expenses. Therefore, the amount of claims paid in any one year is not necessarily related to the amount of net claims incurred, as reported in the consolidated statement of operations.

As a result of the combination of current market conditions, lower investment yields, and the nature of our business where a large portion of the coverages we provide can produce losses of high severity and low frequency, it is not possible to accurately predict our future cash flows from operating activities. As a consequence, cash flows from operating activities may fluctuate, perhaps significantly, between individual quarters and years. Due to the magnitude and relatively recent occurrence of certain large loss events, meaningful uncertainty remains regarding losses from these events and our actual ultimate net losses from these events may vary from preliminary estimates, perhaps materially. As a result, our cash flows from operations would be impacted accordingly.

We are a "well-known seasoned issuer" as defined by the rules promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and we maintain a "shelf" Registration Statement on Form S-3 (the "Shelf Registration Statement") under the Securities Act and are eligible to file additional automatically effective Registration Statements of Form S-3 in the future for the potential offering and sale of an unlimited amount of debt and equity securities. The Shelf Registration Statement allows for various types of securities to be offered, including, but not limited to the following: common shares, preference shares and debt securities.

In addition we maintain letter of credit facilities which provide liquidity. Refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, Capital Resources" for details of these facilities.

## Cash Flows

Three months ended March 31, (in thousands)	2013	2012
Net cash provided by operating activities	\$128,502	\$171,104
Net cash provided by (used in) investing activities	219,873	(189,973)
Net cash (used in) provided by financing activities	(341,540)	) 61,875
Effect of exchange rate changes on foreign currency cash	3,432	992
Net increase in cash and cash equivalents	10,267	43,998
Cash and cash equivalents, beginning of period	325,358	216,984
Cash and cash equivalents, end of period	\$335,625	\$260,982

During the three months ended March 31, 2013, our cash and cash equivalents increased \$10.3 million, to \$335.6 million at March 31, 2013, compared to \$325.4 million at December 31, 2012.

Cash flows provided by operating activities. Cash flows provided by operating activities during the three months ended March 31, 2013 were \$128.5 million, compared to \$171.1 million during the three months ended March 31, 2012. Cash flows provided by operating activities during the three months ended March 31, 2013 were primarily the result of certain adjustments to reconcile our net income of \$235.4 million to net cash provided by operating activities, including: an increase in unearned premiums of \$258.7 million due to the timing of our gross premiums written; a \$90.5 million increase in reinsurance balances payable due to the timing of, and increase in, our premiums ceded; and a reduction in reinsurance recoverable of \$29.6 million primarily due to the collection of those balances; and partially offset by an increase in premiums receivable of \$163.0 million due to gross premiums written primarily during the January renewal season, a decrease in our reserve for claims and claim expenses of \$123.6 million driven by the payment of claims and by favorable development on prior accident years net claims and claims expenses during the three months ended March 31, 2013, and an increase in our prepaid reinsurance premiums of \$93.1 million due to the timing of, and increase in, our premiums ceded. As discussed under “Summary of Results of Operations”, we generated relatively lower underwriting income and investment results in the three months ended March 31, 2013 compared to the three months ended March 31, 2012, which contributed to the decrease in cash flows provided by operating activities. A portion of the the cash provided by operating activities was used in our financing activities, as noted below.

Cash flows provided by investing activities. During the three months ended March 31, 2013, our cash flows provided by investing activities were \$219.9 million, principally reflecting our net sales and maturities of fixed maturity investments of \$312.3 million, and the sale of essentially our entire portfolio of equity investment trading generating \$67.1 million in cash, which funds in turn were primarily used in the net purchase of short term investments of \$192.6 million. In addition, a portion of of the cash provided by investing activities was used in our financing activities, noted below.

Cash flows used in financing activities. Our cash flows used in financing activities in the three months ended March 31, 2013 were \$341.5 million, and were principally the result of the settlement of \$111.3 million of common share repurchases, the repayment of \$100.0 million of our 5.875% Senior Notes upon their scheduled maturity of February 15, 2013, the payment of \$12.3 million and \$6.3 million in dividends to our common and preferred shareholders, respectively, and net outflows of \$114.2 million related to the return of capital to third party shareholders in DaVinciRe.

During the three months ended March 31, 2012, our cash and cash equivalents increased \$44.0 million, to \$261.0 million at March 31, 2012, compared to \$217.0 million at December 31, 2011.

Cash flows provided by operating activities. Cash flows provided by operating activities during the three months ended March 31, 2012 were \$171.1 million. Cash flows provided by operating activities during the three months ended March 31, 2012 were primarily the result of certain adjustments to reconcile our net income of \$263.8 million to net cash provided by operating activities, including: an increase in unearned premiums of \$299.1 million due to growth in our gross premiums written and a reduction in reinsurance recoverable of \$124.6 million primarily due to

the collection of those balances; and partially offset by a

67

---



decrease in our reserve for claims and claim expenses of \$134.2 million driven by the payment of claims and favorable development on prior accident years net claims and claims expenses during the three months ended March 31, 2012 and an increase in premiums receivable of \$232.1 million due to gross premiums written during the January 1st renewal season.

Cash flows used in investing activities. During the three months ended March 31, 2012, our cash flows used in investing activities were \$190.0 million, which principally reflected our net investment in short term investments of \$305.9 million, which was funded primarily by cash provided by our operating activities and net sales of \$125.4 million related to our fixed maturity investments.

Cash flows provided by financing activities. Our cash flows provided by financing activities during the three months ended March 31, 2012 were \$61.9 million, and were principally comprised of net inflows of \$88.1 million related to additional third party equity capital raised in our redeemable noncontrolling interest - DaVinciRe, partially offset by the repurchase of \$3.6 million of our common shares, and the payment of \$13.9 million and \$8.8 million in dividends to our common and preferred shareholders, respectively.

As a result of the combination of current market conditions, lower investment yields, and the nature of our business where a large portion of the coverages we provide can produce losses of high severity and low frequency, it is not possible to accurately predict our future cash flows from operating activities. As a consequence, cash flows from operating activities may fluctuate, perhaps significantly, between individual quarters and years. Due to the magnitude and relatively recent occurrence of certain large loss events, meaningful uncertainty remains regarding losses from these events and our actual ultimate net losses from these events may vary from preliminary estimates, perhaps materially. As a result, our cash flows from operations would be impacted accordingly.

## Reserves for Claims and Claim Expenses

We believe the most significant accounting judgment made by management is our estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts we sell. We establish our claims and claim expense reserves by taking claims reported to us by insureds and ceding companies, but which have not yet been paid ("case reserves"), adding the costs for additional case reserves ("additional case reserves") which represent our estimates for claims previously reported to us which we believe may not be adequately reserved as of that date, and adding estimates for the anticipated cost of claims incurred but not yet reported to us ("IBNR").

The following table summarizes our claims and claim expense reserves by line of business and split between case reserves, additional case reserves and IBNR:

At March 31, 2013	Case Reserves	Additional Case Reserves	IBNR	Total
(in thousands)				
Catastrophe	\$608,907	\$216,050	\$240,581	\$1,065,538
Specialty	104,771	76,732	289,515	471,018
Total Reinsurance	713,678	292,782	530,096	1,536,556
Lloyd's	29,325	11,615	116,850	157,790
Other	15,534	6,635	39,268	61,437
Total	\$758,537	\$311,032	\$686,214	\$1,755,783
At December 31, 2012				
(in thousands)				
Catastrophe	\$706,264	\$222,208	\$255,786	\$1,184,258
Specialty	111,234	80,971	286,108	478,313
Total Reinsurance	817,498	303,179	541,894	1,662,571
Lloyd's	29,260	10,548	109,662	149,470
Other	17,016	8,522	41,798	67,336
Total	\$863,774	\$322,249	\$693,354	\$1,879,377

Our estimates of claims and claim expense reserves are not precise in that, among other matters, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of our reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate liability, and because there are numerous factors which affect reserves and claims payments that cannot be determined with certainty in advance, our ultimate payments will vary, perhaps materially, from our estimates of reserves. If we determine in a subsequent period that adjustments to our previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. During the three months ended March 31, 2013, changes to prior year estimated claims reserves increased our net income by \$37.6 million (2012 - \$55.9 million), excluding the consideration of changes in reinstatement premium, profit commissions, redeemable noncontrolling interest - DaVinciRe, equity in net claims and claim expenses of Top Layer Re and income tax.

Our reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for the Company's ultimate settlement and administration costs for claims and claim expenses. We do not calculate a range of estimates. We use this point estimate, along with paid claims and case reserves, to record our best estimate of additional case reserves and IBNR in our consolidated financial statements. Under GAAP, we are not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.



Reserving for our reinsurance claims involves other uncertainties, such as the dependence on information from ceding companies, which among other matters, includes the time lag inherent in reporting information from the primary insurer to us or to our ceding companies and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information can be received on a monthly, quarterly or transactional basis and normally includes estimates of paid claims and case reserves. We sometimes also receive an estimate or provision for IBNR. This information is often updated and adjusted from time to time during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

Our estimates of losses from large events are based on factors including currently available information derived from the Company's claims information from certain customers and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of our contracts. The uncertainty of our estimates for certain of these large events is additionally impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided thus far by industry participants and the potential for further reporting lags or insufficiencies (particularly in respect of the Chilean, 2010 New Zealand, 2011 New Zealand and Tohoku earthquakes); and in the case of storm Sandy and the Thailand flooding, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance contracts and reinsurance treaties. In addition, a significant portion of the net claims and claim expenses associated with storm Sandy and the New Zealand and Tohoku earthquakes are concentrated with a few large clients and therefore the loss estimates for these events may vary significantly based on the claims experience of those clients. Loss reserve estimation in respect of our retrocessional contracts poses further challenges compared to directly assumed reinsurance. A significant portion of our reinsurance recoverable relates to the New Zealand and Tohoku earthquakes. There is inherent uncertainty and complexity in evaluating loss reserve levels and reinsurance recoverable amounts, due to the nature of the losses relating to earthquake events, including that loss development time frames tend to take longer with respect to earthquake events. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, especially with regard to storm Sandy, the Tohoku earthquake and Thailand flooding, which we believe may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time. Given the magnitude and relatively recent occurrence of these large events, meaningful uncertainty remains regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying our loss estimates. In addition, our actual net losses from these events may increase if our reinsurers or other obligors fail to meet their obligations. Because of the inherent uncertainties discussed above, we have developed a reserving philosophy which attempts to incorporate prudent assumptions and estimates, and we have generally experienced favorable net development on prior year reserves in the last several years. However, there is no assurance that this will occur in future periods.

**Prior Year Development of Reserve for Net Claims and Claim Expenses**

We use statistical and actuarial methods to estimate ultimate expected claims and claim expenses. The period of time from the reporting of a claim to us and the settlement of our liability may be many years. During this period, additional facts and trends will be revealed. As these factors become apparent, case reserves will be adjusted, sometimes requiring an increase or decrease in the overall reserve for claims and claim expenses, and at other times requiring a reallocation of IBNR reserves to specific case reserves or additional case reserves. These estimates are reviewed regularly, and such adjustments, if any, are reflected in the results of operations in the period in which they become known and are accounted for as changes in estimates. Adjustments to our reserve for claims and claim expenses can impact current year net income (loss) by increasing net income or decreasing net loss if the estimates of prior year claims and claim expense reserves prove to be overstated or by decreasing net income or increasing net loss if the estimates of prior year claims and claim expense reserves prove to be insufficient.

Our estimates of claims and claim expenses are also based in part upon the estimation of claims resulting from natural and man-made disasters such as hurricanes, earthquakes, tsunamis, winter storms, terrorist attacks and other catastrophic events. Estimation of claims resulting from catastrophic events is inherently difficult because of the potential severity of property catastrophe claims. Additionally, we have recently increased our specialty reinsurance business but do not have the benefit of a significant amount of our own historical experience in certain of these lines. Therefore, we use both proprietary and commercially available models, as well as historical (re)insurance industry claims experience, for purposes of evaluating future trends and providing an estimate of ultimate claims costs. Activity in the liability for unpaid claims and claim expenses is summarized as follows:

Three months ended March 31,	2013	2012
Net reserves, beginning of period	\$1,686,865	\$1,588,325
Net incurred related to:		
Current year	64,900	71,424
Prior years	(37,649)	(55,872)
Total net incurred	27,251	15,552
Net paid related to:		
Current year	1,139	7,657
Prior years	120,142	17,415
Total net paid	121,281	25,072
Net reserves, end of period	1,592,835	1,578,805
Reinsurance recoverable, end of period	162,948	279,398
Gross reserves, end of period	\$1,755,783	\$1,858,203

The following table details our prior year development by segment of its liability for unpaid claims and claim expenses:

Three months ended March 31,	2013	2012
Reinsurance	\$(33,629)	\$(46,820)
Lloyd's	(3,343)	(7,279)
Other	(677)	(1,773)
Total	\$(37,649)	\$(55,872)

Our reserving techniques, assumptions and processes differ between our property catastrophe reinsurance, specialty reinsurance and insurance businesses within our Reinsurance and Lloyd's segments. Following is a discussion of the risks we insure and reinsure, the reserving techniques, assumptions and processes we follow to estimate our claims and claim expense reserves, and our current estimates versus our initial estimates of our claims reserves, for each of these units.

#### Reinsurance Segment

We review substantially all of our catastrophe reinsurance claims and claim expense reserves quarterly. Our quarterly review procedures include identifying events that have occurred up to the latest balance sheet date, determining our best estimate of the ultimate expected cost to settle all claims and administrative costs associated with those new events which have arisen during the reporting period, reviewing the ultimate expected cost to settle claims and administrative costs associated with those events which occurred during previous periods, and considering new estimation techniques, such as additional actuarial methods or other statistical techniques, that can assist us in developing our best estimate. This process is judgmental in that it involves reviewing changes in paid and reported claims each period and adjusting our estimates of the ultimate expected claims for each event where there are developments that are different from our previous expectations. If we determine that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified. The level of our claims associated with certain catastrophes can be very large. For example, within our Reinsurance segment, initial estimated

ultimate claims associated with the 2005 hurricanes, Katrina, Rita and Wilma, were over \$1.5 billion, the

2008 hurricanes, Gustav and Ike, were over \$530 million and the large losses of 2011 (including the 2011 New Zealand earthquake, the Tohoku earthquake, the U.S. tornadoes, flooding in Australia, certain aggregate losses, hurricane Irene and the Thailand floods) were over \$1.2 billion. As a result, small percentage changes in the estimated ultimate claims of large catastrophic events can significantly impact our reserves for claims and claim expenses in subsequent periods.

When initially developing reserving techniques for our specialty reinsurance coverages, we considered estimating reserves utilizing several actuarial techniques such as paid and reported claims development methods. We elected to use the Bornhuetter-Ferguson actuarial method because this method is appropriate for lines of business, such as our specialty reinsurance business, where there is a lack of historical claims experience. This method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively impacted by one particular year or quarter of actual paid and/or reported claims data. This method uses initial expected claims ratio expectations to the extent that claims are not paid or reported, and it assumes that past experience is not fully representative of the future. As our reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims is reflected in the respective reporting period as a change in estimate. We reevaluate our actuarial reserving techniques on a periodic basis.

We review substantially all of our specialty reinsurance claims and claim expense reserves quarterly. Typically, the quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing our overall experience by underwriting year and in the aggregate. We monitor our expected ultimate claims and claim expense ratios and expected claims reporting assumptions on a quarterly basis and compare them to our actual experience. These actuarial assumptions are generally reviewed annually, based on input from our actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage we provide, changes in industry standards, as well as our actual experience, to the extent we have enough data to rely on our own experience. If we determine that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

The following table details the development of our liability for unpaid claims and claim expenses for our Reinsurance segment for the three months ended March 31, 2013 split between our catastrophe reinsurance unit and our specialty reinsurance unit and then further split between catastrophe claims and claim expenses and attritional claims and claim expenses:

Three months ended March 31, 2013	Catastrophe Reinsurance Unit	Specialty Reinsurance Unit	Reinsurance Segment
Catastrophe claims and claim expenses			
Large catastrophe events			
Windstorm Kyrill (2007)	\$4,937	\$—	\$4,937
New Zealand Earthquake (2011)	3,691	—	3,691
Hurricanes Gustav & Ike (2008)	3,400	—	3,400
Tohoku Earthquake and Tsunami (2011)	1,985	—	1,985
Hurricane Isaac (2012)	(2,610)	)	(2,610)
Other	1,455	—	1,455
Total large catastrophe events	12,858	—	12,858
Small catastrophe events			
U.S. PCS 83 Wind and Thunderstorm (2012)	3,500	—	3,500
U.S. PCS 70 Wind and Thunderstorm (2012)	(4,150)	)	(4,150)
Other	6,260	—	6,260
Total small catastrophe events	5,610	—	5,610
Total catastrophe claims and claim expenses	\$18,468	\$—	\$18,468
Attritional claims and claim expenses			
Bornhuetter-Ferguson actuarial method - actual reported claims less than expected claims	\$—	\$4,729	\$4,729
Actuarial assumption changes	—	10,432	10,432
Total attritional claims and claim expenses	\$—	\$15,161	\$15,161
Total favorable development of prior accident years claims and claim expenses	\$18,468	\$15,161	\$33,629

#### Catastrophe Reinsurance Unit

The favorable development of prior accident years claims and claim expenses within our catastrophe reinsurance unit in the three months ended March 31, 2013 of \$18.5 million was primarily due to net reductions of \$12.9 million arising from the estimated ultimate claims of large catastrophe events, including \$4.9 million, \$3.7 million and \$3.4 million of favorable development related to reductions in the expected ultimate losses for Windstorm Kyrill, the 2011 New Zealand earthquake and the 2008 hurricanes, respectively, as reported claims came in better than expected, and \$13.2 million of net favorable development related to a number of other catastrophes principally the result of reported claims coming in less than expected, resulting in formulaic decreases to the ultimate claims for these events. Partially offsetting the reductions noted above was adverse development of \$4.2 million and \$2.6 million associated with an increase in reported gross ultimate losses on U.S. PCS 70 (a 2012 wind and thunderstorm event) and hurricane Isaac, respectively.

#### Specialty Reinsurance Unit

The favorable development of prior accident years claims and claim expenses within our specialty reinsurance unit in the three months ended March 31, 2013 of \$15.2 million includes \$10.4 million associated with actuarial assumption changes, principally in our casualty clash and casualty risk lines of business, and primarily as a result of revised initial expected claims ratios and claim development factors, and \$4.7 million due to reported claims coming in lower than expected on prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.





The following table details the development of our liability for unpaid claims and claim expenses for the Reinsurance segment for the three months ended March 31, 2012 split between the catastrophe reinsurance unit and the specialty reinsurance unit and then further split between catastrophe claims and claim expenses and attritional claims and claim expenses:

Three months ended March 31, 2012	Catastrophe Reinsurance Unit	Specialty Reinsurance Unit	Reinsurance Segment
Catastrophe claims and claim expenses			
Large catastrophe events			
U.K. Floods (2007)	\$ 17,271	\$—	\$ 17,271
Hurricane Irene (2011)	4,630	—	4,630
Hurricanes Katrina, Rita and Wilma (2005)	1,869	—	1,869
Other	2,452	—	2,452
Total large catastrophe events	26,222	—	26,222
Small catastrophe events			
Danish Floods (2011)	5,000	—	5,000
U.S. PCS 63 Winter Storm (2011)	2,600	—	2,600
Other	1,117	—	1,117
Total small catastrophe events	8,717	—	8,717
Total catastrophe claims and claim expenses	\$ 34,939	\$—	\$ 34,939
Attritional claims and claim expenses			
Bornhuetter-Ferguson actuarial method - actual reported claims less than expected claims	—	\$(2,518)	\$(2,518)
Actuarial assumption changes	—	14,399	14,399
Total attritional claims and claim expenses	\$—	\$ 11,881	\$ 11,881
Total favorable development of prior accident years claims and claim expenses	\$ 34,939	\$ 11,881	\$ 46,820

#### Catastrophe Reinsurance Unit

The favorable development of prior accident years claims and claim expenses within our catastrophe reinsurance unit in the three months ended March 31, 2012 of \$34.9 million was primarily due to net reductions of \$26.2 million arising from the estimated ultimate claims of large catastrophe events, including the 2007 U.K. flooding, hurricane Irene of 2011 and the 2005 hurricanes, as reported claims came in better than expected. The remainder of the favorable development of prior accident years claims and claim expenses was due to a reduction in ultimate claims on a number of relatively small catastrophes, all principally the result of reported claims coming in less than expected, resulting in formulaic decreases to the ultimate claims for these events.

#### Specialty Reinsurance Unit

The favorable development of prior accident years claims and claim expenses within our specialty reinsurance unit in the three months ended March 31, 2012 of \$11.9 million includes: \$14.4 million associated with actuarial assumption changes, principally in our casualty and medical malpractice lines of business, and primarily as a result of revised initial expected claims ratios and claim development factors due to actual experience coming in better than expected, and partially offset by \$2.5 million due to reported claims coming in higher than expected on prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.

### Lloyd's Segment

Within our Lloyd's segment, we write property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes, a number of specialty reinsurance lines and insurance policies and quota share reinsurance that involves understanding the characteristics of the underlying insurance policy.

We use the Bornhuetter-Ferguson actuarial method to estimate claims and claim expenses within our Lloyd's segment for our property and casualty (re)insurance contracts and quota share reinsurance business. The comments discussed above relating to our reserving techniques and processes for the specialty reinsurance unit within our Reinsurance segment also apply to our Lloyd's segment. In addition, certain of our coverages may be impacted by natural and man-made catastrophes. We estimate claim reserves for these claims after the event giving rise to these claims occurs, following a process that is similar to our catastrophe reinsurance unit discussed above.

The following table details the development of our liability for unpaid claims and claim expenses for our Lloyd's segment:

Three months ended March 31,	2013	2012
Attritional claims and claim expenses	\$3,491	\$4,566
Catastrophe events - other	—	2,998
Catastrophe events - property catastrophe reinsurance	—	1,000
Actuarial assumption changes	(148	) (1,285
Total	\$3,343	\$7,279

The favorable development of prior accident years claims and claim expenses within our Lloyd's segment of \$3.3 million during the three months ended March 31, 2013 was principally due to \$3.5 million related to decreases in estimated ultimate losses due to reported claims coming in lower than expected on a number of prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.

The favorable development of prior accident years claims and claim expenses within our Lloyd's segment of \$7.3 million during the three months ended March 31, 2012 was principally due to decreases in estimated ultimate losses on certain specific events, including \$2.0 million related to hurricane Irene, \$2.0 million related to the Thailand floods, and \$2.0 million related to aggregate crop losses in Manitoba, Canada, with the remainder due to reported claims coming in lower than expected on prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.

### Capital Resources

Our total capital resources are as follows:

(in thousands)	At March 31, 2013	At December 31, 2012	Change
Common shareholders' equity	\$3,163,105	\$3,103,065	\$60,040
Preference shares	400,000	400,000	—
Total shareholders' equity attributable to RenaissanceRe	3,563,105	3,503,065	60,040
5.875% Senior Notes	—	100,000	(100,000
5.750% Senior Notes	249,362	249,339	23
RenaissanceRe revolving credit facility – borrowed	—	—	—
RenaissanceRe revolving credit facility – unborrowed	150,000	150,000	—
Renaissance Trading credit facility – borrowed	4,953	2,436	2,517
Renaissance Trading credit facility – unborrowed	15,047	17,564	(2,517
Total capital resources	\$3,982,467	\$4,022,404	\$(39,937



During the three months ended March 31, 2013, our capital resources decreased by \$39.9 million, principally due to the Company repaying the full \$100.0 million of its outstanding 5.875% Senior Notes upon their scheduled maturity of February 15, 2013 using available cash and investments, \$12.3 million of dividends on our common shares and \$111.3 million of common share repurchases as discussed in more detail in "Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds", and partially offset by an increase in shareholders' equity as a result of our comprehensive income attributable to RenaissanceRe of \$189.2 million. There have been no material changes in our capital resources as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012, other than noted below.

#### 5.875% Senior Notes

In January 2003, the Company issued \$100.0 million, which represented the carrying amount on the Company's consolidated balance sheet, of 5.875% Senior Notes due February 15, 2013, with interest on the notes payable on February 15 and August 15 of each year. The Company repaid the notes in full upon their scheduled maturity on February 15, 2013 using available cash and investments. The Company does not have current plans to replace the notes with additional indebtedness.

#### Principal Letter of Credit Facility

RenaissanceRe and certain of its affiliates, Renaissance Reinsurance, ROE, RenaissanceRe Specialty Risks and DaVinci (such affiliates, collectively, the "Account Parties"), are parties to a Fourth Amended and Restated Reimbursement Agreement, dated May 17, 2012, with various banks and financial institutions parties thereto (collectively, the "Banks"), Wells Fargo, as issuing bank, administrative agent and collateral agent for the Banks, and certain other agents (the "Reimbursement Agreement").

The Reimbursement Agreement serves as RenaissanceRe's principal secured letter of credit facility and the commitments thereunder expire on May 17, 2015. Effective March 28, 2013, RenaissanceRe reduced the commitments under the facility from \$450.0 million to \$250.0 million. The reductions were implemented in connection with a reassessment of the future collateral needs of RenaissanceRe, taking into account, among other things, its access to alternative sources of credit enhancement. Prior to the expiration date of May 17, 2015, the commitments under the facility may be increased from time to time up to an amount not to exceed \$600.0 million, subject to RenaissanceRe satisfying certain conditions.

At March 31, 2013, we had \$203.7 million of letters of credit with effective dates on or before March 31, 2013 outstanding under the Reimbursement Agreement.

#### Letters of Credit

At March 31, 2013, we had total letters of credit outstanding under all facilities of \$501.7 million.

Renaissance Reinsurance is also party to a collateralized letter of credit and reimbursement agreement in the amount of \$37.5 million that supports our Top Layer Re joint venture. Renaissance Reinsurance is obligated to make a mandatory capital contribution of up to \$50.0 million in the event that a loss reduces Top Layer Re's capital below a specified level.

#### Multi-Beneficiary Reinsurance Trusts

Effective March 15, 2011, each of Renaissance Reinsurance and DaVinci was approved as a Trusteed Reinsurer in the State of New York and established a multi-beneficiary reinsurance trust ("MBRT") to collateralize its respective (re)insurance liabilities associated with U.S. domiciled cedants. The MBRTs are subject to the rules and regulations of the State of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Following the initial approval in the State of New York, Renaissance Reinsurance and DaVinci have submitted applications to all U.S. states to become Trusteed Reinsurers. As of March 31, 2013, Renaissance Reinsurance and DaVinci are approved in 51 and 50 U.S. states and territories, respectively. We expect, over time, to transition cedants with existing outstanding letters of credit to the appropriate MBRT as determined by cedant state of domicile, thereby reducing our absolute and relative reliance on letters of credit. Accordingly, it is our intention to seek to have new business incepting with cedants domiciled in approved states collateralized using a MBRT. Cedants



collateralized with a MBRT will be eligible for automatic reinsurance credit in their respective U.S. regulatory filings. Assets held under trust at March 31, 2013 with respect to the MBRTs totaled \$535.6 million and \$180.5 million for Renaissance Reinsurance and DaVinci, respectively, compared to the minimum amount required under U.S. state regulations of \$503.5 million and \$171.8 million, respectively.

#### Multi-Beneficiary Reduced Collateral Reinsurance Trusts

Effective December 31, 2012, each of Renaissance Reinsurance and DaVinci was approved as an Accredited Reinsurer in the state of New York and established a multi-beneficiary reduced collateral reinsurance trust ("RCT") to collateralize its (re)insurance liabilities associated with U.S. domiciled cedants in certain states where Renaissance Reinsurance or DaVinci is approved as an Accredited Reinsurer, thereby providing for a reduction in collateral requirements to 20% of the net outstanding insurance liabilities. The RCTs are subject to the rules and regulations of the state of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at March 31, 2013 with respect to the RCTs totaled \$11.0 million and \$11.0 million for Renaissance Reinsurance and DaVinci, respectively, compared to the minimum amount required under U.S. state regulations of \$10.2 million and \$10.1 million, respectively.

#### Renaissance Trading Margin Facility and Guarantees

Renaissance Trading maintains a brokerage facility with a leading prime broker, which has an associated margin facility of \$20.0 million. This margin facility, which we believe allows Renaissance Trading to prudently manage its cash position related to its exchange traded products, is supported by a \$25.0 million guarantee issued by RenaissanceRe. Interest on amounts outstanding under this facility is at overnight LIBOR plus 200 basis points. At March 31, 2013, \$5.0 million was outstanding under the facility.

At March 31, 2013, RenaissanceRe had provided guarantees in the aggregate amount of \$298.0 million to certain counterparties of the weather and energy risk operations of Renaissance Trading. In the future, RenaissanceRe may issue guarantees for other purposes or increase the amount of guarantees issued to counterparties of Renaissance Trading.

#### Redeemable Noncontrolling Interest – DaVinciRe

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

During January 2013 DaVinciRe redeemed shares from certain DaVinciRe shareholders, including the Company, while certain other existing DaVinciRe shareholders purchased additional shares in DaVinciRe. The net redemption as a result of these transactions was \$150.0 million. In connection with the redemptions, DaVinciRe retained a \$20.5 million holdback. Our ownership in DaVinciRe was 30.8% at December 31, 2012 and subsequent to the above transactions, our ownership in DaVinciRe increased to 32.9% effective January 1, 2013. We expect our ownership in DaVinciRe to fluctuate over time.

## Investments

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

	March 31, 2013		December 31, 2012		Change	
(in thousands, except percentages)						
U.S. treasuries	\$1,186,742	18.8 %	\$1,259,800	19.8 %	\$(73,058)	)
Agencies	285,969	4.5 %	315,154	5.0 %	(29,185)	)
Non-U.S. government (Sovereign debt)	199,561	3.2 %	133,198	2.1 %	66,363	
Non-U.S. government-backed corporate	291,077	4.6 %	349,514	5.5 %	(58,437)	)
Corporate	1,603,571	25.5 %	1,615,207	25.4 %	(11,636)	)
Agency mortgage-backed	440,538	7.0 %	408,531	6.4 %	32,007	
Non-agency mortgage-backed	240,217	3.8 %	248,339	3.9 %	(8,122)	)
Commercial mortgage-backed	297,101	4.7 %	406,166	6.4 %	(109,065)	)
Asset-backed	12,363	0.2 %	12,954	0.2 %	(591)	)
Total fixed maturity investments, at fair value	4,557,139	72.3 %	4,748,863	74.7 %	(191,724)	)
Short term investments, at fair value	997,889	15.8 %	821,163	12.9 %	176,726	
Equity investments trading, at fair value	555	— %	58,186	0.9 %	(57,631)	)
Other investments, at fair value	652,802	10.4 %	644,711	10.1 %	8,091	
Total managed investment portfolio	6,208,385	98.5 %	6,272,923	98.6 %	(64,538)	)
Investments in other ventures, under equity method	92,054	1.5 %	87,724	1.4 %	4,330	
Total investments	\$6,300,439	100.0 %	\$6,360,647	100.0 %	\$(60,208)	)

At March 31, 2013, we held investments totaling \$6.3 billion, compared to \$6.4 billion at December 31, 2012, with net unrealized appreciation included in accumulated other comprehensive income of \$6.1 million at March 31, 2013, compared to \$13.6 million at December 31, 2012. Our investment guidelines stress preservation of capital, market liquidity, and diversification of risk. Notwithstanding the foregoing, our investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. Refer to "Note 4. Fair Value Measurements" in our notes to the consolidated financial statements for additional information regarding the fair value of measurement of our investments.

As the reinsurance coverages we sell include substantial protection for damages resulting from natural and man-made catastrophes, we expect from time to time to become liable for substantial claim payments on short notice.

Accordingly, our investment portfolio as a whole is structured to seek to preserve capital and provide a high level of liquidity which means that the large majority of our investment portfolio consists of highly rated fixed income securities, including U.S. treasuries, agencies, highly rated sovereign and supranational securities, high-grade corporate securities and mortgage-backed and asset-backed securities. The amount allocated to certain investment classes and sectors may increase or decrease over time based on a number of factors, including our efforts to optimize the risk and return profile of the investment portfolio. In the second quarter of 2013, we established a public equity securities mandate with a third party investment manager. It is possible our equity allocation will increase in the future, although we do not expect it to represent a material portion of our invested assets or to have a material effect on our financial results for the reasonably foreseeable period. In addition, we have an allocation to other investments, including hedge funds, private equity partnerships, senior secured bank loan funds and other similar investments.



## Other Investments

The table below shows our portfolio of other investments:

	March 31, 2013	December 31, 2012	Change
(in thousands)			
Private equity partnerships	\$345,666	\$344,669	\$997
Senior secured bank loan funds	204,114	202,929	1,185
Catastrophe bonds	75,019	91,310	(16,291 )
Hedge funds	5,219	5,803	(584 )
Miscellaneous other investments	22,784	—	22,784
Total other investments	\$652,802	\$644,711	\$8,091

We account for our other investments at fair value in accordance with FASB ASC Topic Financial Instruments. The fair value of certain of our fund investments, which principally include hedge funds, private equity funds, senior secured bank loan funds and non-U.S. fixed income funds, are recorded on our balance sheet in other investments, and is generally established on the basis of the net valuation criteria established by the managers of such investments, if applicable. The net valuation criteria established by the managers of such investments is established in accordance with the governing documents of such investments. Many of our fund investments are subject to restrictions on redemptions and sales which are determined by the governing documents and limit our ability to liquidate these investments in the short term. Certain of our fund managers, fund administrators, or both, are unable to provide final fund valuations as of our current reporting date. The typical reporting lag experienced by us to receive a final net asset value report is one month for hedge funds, senior secured bank loan funds and non-U.S. fixed income funds and three months for private equity funds, although, in the past, in respect of certain of our private equity funds, we have on occasion experienced delays of up to six months at year end, as the private equity funds typically complete their respective year-end audits before releasing their final net asset value statements.

In circumstances where there is a reporting lag between the current period end reporting date and the reporting date of the latest fund valuation, we estimate the fair value of these funds by starting with the prior month or quarter-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates, and then estimating the return for the current period. In circumstances in which we estimate the return for the current period, all information available to us is utilized. This principally includes preliminary estimates reported to us by our fund managers, obtaining the valuation of underlying portfolio investments where such underlying investments are publicly traded and therefore have a readily observable price, using information that is available to us with respect to the underlying investments, reviewing various indices for similar investments or asset classes, as well as estimating returns based on the results of similar types of investments for which we have obtained reported results, or other valuation methods, where possible. Actual final fund valuations may differ, perhaps materially so, from our estimates and these differences are recorded in our statement of operations in the period in which they are reported to us as a change in estimate. Included in net investment income for the three months ended March 31, 2013 is a loss of \$1.8 million (2012 - \$3.1 million) representing the change in estimate during the period related to the difference between our estimated net investment income due to the lag in reporting discussed above and the actual amount as reported in the final net asset values provided by our fund managers.

Our estimate of the fair value of catastrophe bonds are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications. Refer to "Note 4. Fair Value Measurements" in our notes to the consolidated financial statements for additional information regarding the fair value of measurement of our investments.

Interest income, income distributions and realized and unrealized gains (losses) on other investments are included in net investment income and resulted in \$21.9 million of net investment income for the three months ended March 31, 2013 (2012 - \$42.6 million). Of this amount, \$15.1 million relates to net unrealized gains (2012 - unrealized gains of \$35.3 million).



We have committed capital to private equity partnerships and other investments of \$706.9 million, of which \$667.2 million has been contributed at March 31, 2013. Our remaining commitments to these investments at March 31, 2013 totaled \$122.2 million. In the future, we may enter into additional commitments in respect of private equity partnerships or individual portfolio company investment opportunities.

#### EFFECTS OF INFLATION

The potential exists, after a catastrophe loss, for the development of inflationary pressures in a local economy. The anticipated effects on us are considered in our catastrophe loss models. Our estimates of the potential effects of inflation are also considered in pricing and in estimating reserves for unpaid claims and claim expenses. In addition, it is possible that the risk of general economic inflation has increased which could, among other things, cause claims and claim expenses to increase and also impact the performance of our investment portfolio. The actual effects of this potential increase in inflation on our results cannot be accurately known until, among other items, claims are ultimately settled. The onset, duration and severity of an inflationary period cannot be estimated with precision.

#### OFF-BALANCE SHEET AND SPECIAL PURPOSE ENTITY ARRANGEMENTS

At March 31, 2013, we have not entered into any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

#### CONTRACTUAL OBLIGATIONS

In the normal course of its business, the Company is a party to a variety of contractual obligations as summarized in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. These contractual obligations are considered by the Company when assessing its liquidity requirements. As of March 31, 2013, there are no material changes in the Company's contractual obligations as disclosed in the Company's table of contractual obligations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

In certain circumstances, our contractual obligations may be accelerated to dates other than those set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, due to defaults under the agreement governing those obligations (including pursuant to cross-default provisions in such agreement) or in connection with certain changes in control of the Company, if applicable. In addition, in connection with any such default under the agreement governing these obligations, in certain circumstances these obligations may bear an increased interest rate or be subject to penalties as a result of such a default.

#### CURRENT OUTLOOK

##### Catastrophe Exposed Market Developments

Notwithstanding the severe global catastrophic losses during 2011, the advent in late 2012 of storm Sandy, one of the most significant insured losses on record, and the increased frequency of severe weather events during these periods in many high-insurance-penetration regions, the global insurance and reinsurance markets entered 2013 with near-record levels of industry wide capital held by private market insurers and reinsurers, and diminished growth of demand for many coverages and solutions, outside of the impacted regions and in respect of certain products and lines. During the January 2013 and June and July 2012 reinsurance renewals, we believe that supply, principally from traditional market participants and complemented by alternative capital providers, more than offset market demand, resulting in a dampening of overall market pricing on a risk-adjusted basis, except for, in general, loss impacted treaties and contracts. We believe that supply of capital has continued to increase in the period leading to the June and July 2013 renewals, only partially offset by capital return initiatives and modest new aggregate demand in the market. Moreover, we believe that many of the positive factors that had previously impacted market conditions have now been absorbed by the market and, we believe, are unlikely to drive further improvement in our core catastrophe-exposed markets absent new developments. Accordingly, we currently anticipate increased pressure in the market on both premiums and risk-adjusted rates during the current renewals. With our continuing focus on underwriting discipline, we cannot assure that we can continue to improve, or even to maintain, the size and portfolio quality of our aggregate book of business.

According to the National Oceanic and Atmospheric Administration ("NOAA"), whose records date back to 1895, 2012 continued a period of high Atlantic basin hurricane activity, with 19 named storms, of which 10 became hurricanes, with one major hurricane. In late October, storm Sandy impacted the Mid-Atlantic and Northeast coasts of the U.S., ultimately making landfall in New Jersey, with tropical storm force or greater winds at landfall extending over approximately 550,000 square miles. In addition, storm Sandy generated significant storm surge, which contributed substantially to loss of life, widespread power outages, significant disruptions to travel and devastating flooding throughout a number of states, including New York and New Jersey. Storm Sandy is currently estimated to have been the largest Atlantic hurricane in diameter ever recorded and to have produced the lowest barometric pressure readings for an Atlantic windstorm north of North Carolina. In addition, according to NOAA, 2012 was the hottest year ever recorded in the U.S., continuing a period of increasing air and water temperatures at measured locations. Among other things, the extreme weather experienced, particularly including the severe and ongoing drought conditions throughout most of the Midwestern region of the U.S., adversely impacted the production of a range of crops, including those subject to the U.S. federal government's multi-peril crop insurance program.

#### General Economic Conditions

Meaningful uncertainty remains regarding the strength, duration and comprehensiveness of any economic recovery in the U.S. and our other key markets. In particular, global economic markets, including many of the key markets which we serve, may continue to be adversely impacted by the financial and fiscal instability of several European jurisdictions and, increasingly, the Eurozone market as a whole. Accordingly, we continue to believe that meaningful risk remains for continued uncertainty or disruptions in general economic and financial market conditions. Moreover, if economic growth were to return, such growth may be only at a comparably suppressed rate for a relatively extended period of time. Declining or weak economic conditions could reduce demand for the products sold by us or our customers, or could weaken our overall ability to write business at risk-adequate rates. In addition, persistent low levels of economic activity could adversely impact other areas of our financial performance, such as by contributing to unforeseen premium adjustments, mid-term policy cancellations or commutations, or asset devaluation. Any of the foregoing or other outcomes of a prolonged period of relative economic weakness could adversely impact our financial position or results of operations. In addition, during a period of extended economic weakness, we believe our consolidated credit risk, reflecting our counterparty dealings with customers, agents, brokers, retrocessionaires, capital providers and parties associated with our investment portfolio, among others, is likely to be increased. Several of these risks could materialize, and our financial results could be negatively impacted, even after the end of any economic downturn.

Moreover, we continue to monitor the risk that our principal markets will experience increased inflationary conditions, which would, among other things, cause costs related to our claims and claim expenses to increase, and impact the performance of our investment portfolio. The onset, duration and severity of an inflationary period cannot be estimated with precision. The sovereign debt crisis in Europe and the related financial restructuring efforts, among other factors, made it more difficult to predict the inflationary environment.

Our catastrophe-exposed operations are subject to the ever-present potential for significant volatility in capital due primarily to our exposure to severe catastrophic events. Our specialty reinsurance portfolio is also exposed to emerging risks arising from the ongoing relative economic weakness, including with respect to a potential increase of claims in directors and officers, errors and omissions, surety, casualty clash and other lines of business.

Historically low interest rates and lower spreads have lowered the yields at which we invest our assets. We expect these developments, combined with the current composition of our investment portfolio and other factors, to continue to put substantial downward pressure on our net investment income for the near term. In addition to impacting our reported net income, potential future losses on our investment portfolio, including potential future mark-to-market results, would adversely impact our equity capital. Moreover, as we invest cash from new premiums written or reinvest the proceeds of invested assets that mature or that we choose to sell, the yield on our portfolio is impacted by the prevailing environment of comparably low yields. While it is possible yields will improve in future periods, we currently expect the challenging economic conditions to persist and we are unable to predict with certainty when conditions will substantially improve, or the pace of any such improvement.



### Market Conditions and Competition

Leading global intermediaries and other sources have generally reported that the U.S. casualty reinsurance market continues to reflect a relatively soft pricing environment. However, we believe that pockets of niche or specialty casualty renewals provide more attractive opportunities for stronger or well-positioned reinsurers, and that this trend may be gaining a degree of momentum in certain lines. We anticipate that persistent low investment returns and, to a degree, balance sheet issues in the broader market may favorably impact demand for coverages on terms that we find attractive. However, we cannot assure you that any increased demand will indeed materialize or that we will be successful in consummating new or expanded transactions.

As noted above, we currently anticipate a continued level of demand for our catastrophe coverages over coming periods, offset by ample and likely increasing supplies of private market capital. Renewal terms vary widely by insured account and our ability to shape our portfolio to improve its risk and return characteristics as estimated by us is subject to a range of competitive and commercial factors. While we believe that our strong relationships, and track record of superior claims paying ability and other client service will enable us to compete for the business we find attractive, we may not succeed in doing so; moreover, our relationships in emerging markets are not as developed as they are in our current core markets.

The market for our catastrophe reinsurance products is generally dynamic and volatile. The market dynamics noted above, increased or decreased catastrophe loss activity, and changes in the amount of capital in the industry can result in significant changes to the pricing, policy terms and demand for our catastrophe reinsurance products over a relatively short period of time. In addition, changes in state-sponsored catastrophe funds, or residual markets, which have generally grown dramatically in recent years, or the implementation of new government-subsidized or sponsored programs, can dramatically alter market conditions. We believe that the overall trend of increased frequency and severity of tropical cyclones experienced in recent years may continue for the foreseeable future. Increased understanding of the potential increase in frequency and severity of storms may contribute to increased demand for protection in respect of coastal risks which could impact pricing and terms and conditions in coastal areas over time. Overall, we expect higher property loss cost trends, driven by increased severity and by the potential for increased frequency, to continue in the future. At the same time, certain markets we target continue to be impacted by fundamental weakness experienced by primary insurers, due to ongoing economic weakness and, in many cases, inadequate primary insurance rate levels, including without limitation insurers operating on an admitted basis in Florida. These conditions, which occurred in a period characterized by relatively low insured catastrophic losses for these respective regions, have contributed to certain publicly announced instances of insolvency, regulatory supervision and other regulatory actions, and have weakened the ability of certain carriers to invest in reinsurance and other protections for coming periods, and in some cases to meet their existing premium obligations. It is possible that these dynamics will continue in future periods.

In addition, we continue to explore potential strategic transactions or investments, and other opportunities, from time to time that are presented to us or that we originate. In evaluating these potential investments and opportunities, we seek to improve the portfolio optimization of our business as a whole, to enhance our strategy, to achieve an attractive estimated return on equity in respect of investments, to develop or capitalize on a competitive advantage, and to source business opportunities that will not detract from our core operations.

### Legislative and Regulatory Update

In August 2012, Congressman Albio Sires introduced the Taxpayers' Protection Act (HR 6477). The bill would establish a federal catastrophe fund where eligible states can purchase reinsurance directly from the federal government. In January 2013, Congresswoman Frederica Wilson introduced the Homeowners' Defense Act which would, if enacted, provide for the creation of (i) a federal reinsurance catastrophe fund; (ii) a federal consortium to facilitate qualifying state residual markets and catastrophe funds in securing reinsurance; and (iii) a federal bond guarantee program for state catastrophe funds in qualifying state residual markets. In January 2013, Congressman Dennis Ross introduced the Homeowners' Insurance Protection Act (HR 240). The bill would create a federal catastrophe reinsurance program to back up state insurance or reinsurance programs.



If enacted, any of these bills, or legislation similar to these proposals, would, we believe, likely contribute to the growth of state entities offering below market priced insurance and reinsurance in a manner adverse to us and market participants more generally. While none of this legislation has been enacted to date, and although we believe such legislation will continue to be vigorously opposed, if adopted these bills would likely diminish the role of private market catastrophe reinsurers and could adversely impact our financial results, perhaps materially.

In June 2012, Congress passed the Biggert-Waters Flood Insurance Reform and Modernization Act of 2012, which provided for a five-year renewal of the National Flood Insurance Program ("NFIP") and effected substantial reforms in the program. The NFIP had not been subject to a long-term renewal since 2004. Among other things, pursuant to this statute, the Federal Emergency Management Agency ("FEMA") is explicitly authorized to carry out initiatives to determine the capacity of private insurers, reinsurers, and financial markets to assume a greater portion of the flood risk exposure in the U.S., and to assess the capacity of the private reinsurance market to assume some of the program's risk. The bill requires FEMA to submit a report on this assessment within six months of enactment. The bill also increased the annual limitation on program premium increases from 10% to 20% of the average of the risk premium rates for certain properties concerned; established a four-year phase-in, after the first year, in annual 20% increments, of full actuarial rates for a newly mapped risk premium rate area; instructed FEMA to establish new flood insurance rate maps; allowed multi-family properties to purchase NFIP policies; and introduced minimum deductibles for flood claims. We believe that these reforms could increase the role of private risk-bearing capital in respect of U.S. flood perils, perhaps significantly. However, we cannot assure you that the bill will materially benefit private carriers, or that we will succeed in participating in any positive market developments that may transpire.

In 2007, the State of Florida enacted legislation to expand the Florida Hurricane Catastrophe Fund's ("FHCF") provision of below-market rate reinsurance to up to \$28.0 billion per season (the "2007 Florida Bill"). In May of 2009, the Florida legislature enacted Bill No. CS/HB 1495 (the "2009 Bill"), which will gradually phase out \$12.0 billion in optional reinsurance coverage under the FHCF over the succeeding five years. The 2009 Bill similarly allows the state-sponsored property insurer, Citizens Property Insurance Corporation ("Citizens"), to raise its rates by up to 10% starting in 2010 and every year thereafter, until such time that it has sufficient funds to pay its claims and expenses.

The rate increases and cut back on coverage by FHCF and Citizens are expected to support, over time, a relatively increased role of the private insurers in Florida, a market in which we have established substantial market share.

In May 2011, the Florida legislature passed Florida Senate bill 408 ("SB 408"), relating principally to property insurance. Among other things, SB 408 requires an increase in minimum capital and surplus for newly licensed Florida domestic insurers from \$5.0 million to \$15.0 million; institutes a three-year claims filing deadline for new and reopened claims from the date of a hurricane or windstorm; allows an insurer to offer coverage where replacement cost value is paid, but initial payment is limited to actual cash value; allows admitted insurers to seek rate increases up to 15% to adjust for third party reinsurance costs; and institutes a range of reforms relating to various matters that have increased the costs of insuring sinkholes in Florida. While we believe SB 408 should contribute over time to stabilization of the Florida market, legislation intended to further reform and stabilize Citizens was not passed in the 2011 or 2012 legislative sessions and is uncertain in 2013.

We believe the 2007 Florida Bill caused a substantial decline in the private reinsurance and insurance markets in and relating to Florida, and contributed to the ongoing instability in the Florida primary insurance market, where many insurers have reported substantial and continuing losses from 2009 through 2012, an unusually low period for catastrophe losses in the state. Because of our position as one of the largest providers of catastrophe-exposed coverage, both on a global basis and in respect of the Florida market, the 2007 Florida Bill and the weakened financial position of Florida insurers may have a disproportionate adverse impact on us compared to other reinsurance market participants. The advent of a large windstorm, or of multiple smaller storms, could challenge the assessment-based claims paying capacity of Citizens and the FHCF. In October 2012, the FHCF Advisory Council approved official bonding capacity estimates in respect of the current contract year, reflecting the amount of post-catastrophe bonding currently estimated to be achievable by the FHCF's management and lead financial advisor. The FHCF projected a 2012 year-end fund balance of approximately \$8.5 billion, and a total bonding capacity estimate of \$7.0 billion; given the FHCF's total potential claims-paying obligation of \$17.0 billion, this estimated claims-paying capacity of approximately \$15.5 billion was therefore estimated by the FHCF's lead adviser to reflect a potential





shortfall of \$1.5 billion in respect of an initial season or event. Any inability, or delay, in the claims paying ability of these entities or of private market participants could further weaken or destabilize the Florida market, potentially giving rise to an unpredictable range of adverse impacts. The FHCF and the Florida Office of Insurance Regulation ("OIR") have each estimated that even partial failure, or deferral, of the FHCF's ability to pay claims in full could substantially weaken numerous private insurers, with the OIR having estimated that a 25% shortfall in the FHCF's claims-paying capacity could cause as many as 24 of the top 50 insurers in the state to have less than the statutory minimum surplus of \$5.0 million, with such insurers representing approximately 35% of the market based on premium volume, or approximately 2.2 million policies. Adverse market, regulatory or legislative changes impacting Florida could affect our ability to sell certain of our products, to collect premiums we may be owed on policies we have already written, to renew business with our customers for future periods, or have other adverse impacts, some of which may be difficult to foresee, and could therefore have a material adverse effect on our operations.

In May 2013, the Florida Legislature adopted legislation comprising some modest reforms of Citizens. Among other things, the legislation, if enacted, would empower Citizens to create a so-called "clearinghouse" mechanism with the intent of facilitating the transfer to admitted private market carriers residential policies that might otherwise be bound by or remain in Citizens. In addition the legislation provides for a reduction in the current structure value cap on eligibility for Citizens from \$1.0 million to \$0.7 million over three years; and prohibits Citizens from insuring new structures located seaward of the coastal construction control line and in the broader federal Coastal Barrier Resources system. While incremental, we believe these reforms, if enacted, would marginally strengthen the fiscal position of Citizens and increase private market demand moderately over time. However, we cannot assure that this legislation will indeed be fully enacted into law, that the measures contemplated thereby will be acted on, that any market improvements will accrue, or that we will benefit from the reforms.

Internationally, in the wake of the large natural catastrophes in 2011 a number of proposals have been introduced to alter the financing of natural catastrophes in several of the markets in which we operate. For example, the Thailand government has announced it is studying proposals for a natural catastrophe fund, under which the government would provide coverage for natural disasters in excess of an industry retention and below a certain limit, after which private reinsurers would continue to participate. The government of the Philippines has announced that it is considering similar proposals. A range of proposals from varying stakeholders have been reported to have been made to alter the current regimes for insuring flood risk in the U.K. and Australia and earthquake risk in New Zealand. If these proposals are enacted and reduce market opportunities for our clients or for the reinsurance industry, we could be adversely impacted.

Over the past few years the U.S. Congress has considered legislation which, if passed, would deny U.S. insurers and reinsurers the deduction for reinsurance placed with non-U.S. affiliates. In early 2013, as well as the immediate few prior years, the Obama administration included a formal proposal for such a provision in its budget proposal. As described in the administration's 2013 budget request, the proposal would deny an insurance company a deduction for premiums and other amounts paid to affiliated foreign companies with respect to reinsurance of property and casualty risks to the extent that the foreign reinsurer (or its parent company) is not subject to U.S. income tax with respect to the premiums received; and would exclude from the insurance company's income (in the same proportion in which the premium deduction was denied) any return premiums, ceding commissions, reinsurance recovered, or other amounts received with respect to reinsurance policies for which a premium deduction is wholly or partially denied. We believe that the passage of such legislation could adversely affect the reinsurance market broadly and potentially impact our own current or future operations in particular.

On February 11, 2013, U.S. Senators Carl Levin and Sheldon Whitehouse introduced legislation in the U.S. Senate entitled the "Cut Unjustified Tax Loopholes Act". Similar legislation was also proposed earlier in 2013 as well as in 2012, 2011 and 2010. If enacted, this legislation would, among other things, cause to be treated as a U.S. corporation for U.S. tax purposes generally, certain corporate entities if the "management and control" of such a corporation is, directly or indirectly, treated as occurring primarily within the U.S. The proposed legislation provides that a corporation will be so treated if substantially all of the executive officers and senior management of the corporation who exercise day-to-day responsibility for making decisions involving strategic, financial, and operational policies of the corporation are located primarily within the U.S. To date, this legislation has not been approved by either the

House of Representatives or the Senate. However, we can provide no assurance that this legislation or similar legislation will not ultimately be adopted. While we do not believe that the legislation would negatively impact us, it is possible that an

adopted bill would include additional or expanded provisions which could negatively impact us, or that the interpretation or enforcement of the current proposal, if enacted, would be more expansive or adverse than we currently estimate.

#### NOTE ON FORWARD-LOOKING STATEMENTS

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

In particular, statements using words such as "may", "should", "estimate", "expect", "anticipate", "intends", "believe", "predict", "potential", or words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, reserves, market conditions, risk management and exchange rates. This Form 10-K also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting the reinsurance and insurance industries.

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

- we are exposed to significant losses from catastrophic events and other exposures that we cover, which we expect to cause significant volatility in our financial results from time to time;
- the frequency and severity of catastrophic events or other events which we cover could exceed our estimates and cause losses greater than we expect;
- the inherent uncertainties in our reserving process, particularly as regards to large catastrophic events and longer tail casualty lines, which uncertainties could increase as the product classes we offer evolve over time;
- the risk of the lowering or loss of any of the financial strength, claims paying or enterprise wide risk management ratings of RenaissanceRe or of one or more of our subsidiaries or changes in the policies or practices of the rating agencies;
- risks associated with appropriately modeling, pricing for, and contractually addressing new or potential factors in loss emergence, such as the trend toward potentially significant global warming and other aspects of climate change which have the potential to adversely affect our business, any of which could cause us to underestimate our exposures and potentially adversely impact our financial results;
- risks due to our increasing reliance on a small and potentially decreasing number of insurance and reinsurance brokers for the preponderance of our revenue;
- the risk that our customers may fail to make premium payments due to us (a risk that we believe has increased in certain of our key markets), as well as the risk of failures of our reinsurers, brokers or other counterparties to honor their obligations to us, including as regards to large catastrophic events, and also including their obligations to make third party payments for which we might be liable;
- a contention by the Internal Revenue Service that Renaissance Reinsurance, or any of our other Bermuda subsidiaries, is subject to U.S. taxation;

risks associated with implementing our business strategies and initiatives, including risks related to developing or enhancing the operations, controls and other infrastructure necessary in respect of our more recent, new or proposed initiatives, and the risk that we may fail to succeed in our business or financing plans for these initiatives; risks relating to operating in a highly competitive environment, which we expect to continue to increase over time from new competition from traditional and non-traditional participants, particularly as capital markets products provide alternatives and replacements for more traditional reinsurance and insurance products, as new entrants or existing competitors attempt to replicate our business model, and as a result of consolidation in the (re)insurance industry;

- risks associated with potential for loss of services of any one of our key senior officers, the risk that we fail to attract or retain the executives and employees necessary to manage our business, or difficulties associated with the transition of members of our senior management team for new or expanded roles necessary to execute our strategic and tactical plans;

risks relating to adverse legislative developments that could reduce the size of the private markets we serve, or impede their future growth, including proposals to shift U.S. catastrophe risks to federal mechanisms; similar proposals at the state level in the U.S., including the risk of new legislation in Florida to expand the reinsurance coverages offered by the FHCF and the insurance policies written by state-sponsored Citizens, or failing to implement reforms to reduce such coverages; and the risk that new legislation will be enacted in the international markets we serve which might reduce market opportunities in the private sector, weaken our customers or otherwise adversely impact us;

risks relating to the inability, or delay, in the claims paying ability of Citizens, FHCF or of private market participants in Florida, particularly following a large windstorm or of multiple smaller storms, which we believe would further weaken or destabilize the Florida market and give rise to an unpredictable range of impacts which might be adverse to us, perhaps materially so;

the risk of potential challenges to the Company's claim of exemption from insurance regulation under certain current laws and the risk of increased global regulation of the insurance and reinsurance industry;

the passage of federal or state legislation subjecting Renaissance Reinsurance or our other Bermuda subsidiaries to supervision, regulation or taxation in the U.S. or other jurisdictions in which we operate, or increasing the taxation of business ceded to us;

the risk that there could be regulatory or legislative changes adversely impacting us, as a Bermuda-based company, relative to our competitors, or actions taken by multinational organizations having such an impact;

risks associated with highly subjective judgments, such as valuing our more illiquid assets, and determining the impairments taken on our investments, all of which impact our reported financial position and operating results;

risks associated with our investment portfolio, including the risk that our investment assets may fail to yield attractive or even positive results; and the risk that investment managers may breach our investment guidelines, or the inability of such guidelines to mitigate risks arising out of the ongoing period of relative economic weakness;

risks associated with inflation, which could cause loss costs to increase, and impact the performance of our investment portfolio, thereby adversely impacting our financial position or operating results;

the risk we might be bound to policyholder obligations beyond our underwriting intent, including due to emerging claims and coverage issues;

risks associated with counterparty credit risk, including with respect to reinsurance brokers, customers, agents, retrocessionaires, capital providers, parties associated with our investment portfolio and/or our energy trading business, and premiums and other receivables owed to us, which risks we believe continue to be heightened as a result of the ongoing period of relative economic weakness;

risks associated with our allocation of capital to our weather and energy risk management operations, including the risks that these operations may give rise to unforeseen or unanticipated losses;

the risk that ongoing or future industry regulatory developments will disrupt our business, or that of our business partners, or mandate changes in industry practices in ways that increase our costs, decrease our revenues or require us to alter aspects of the way we do business;

acts of terrorism, war or political unrest;

changes in insurance regulations in the U.S. or other jurisdictions in which we operate, including risks arising out of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") or its related rule making or implementation;

risks that the advent of the new U.S. Federal Insurance Office or other related developments may adversely impact our business, or significantly increase our operating costs;

operational risks, including system or human failures;

risks in connection with our management of third party capital;

changes in economic conditions, including interest rate, currency, equity and credit conditions which could affect our investment portfolio or declines in our investment returns for other reasons which could reduce our profitability and hinder our ability to pay claims promptly in accordance with our strategy, which risks we believe are currently enhanced in light of the current uncertainty regarding U.S. fiscal policy and the ongoing period of relative economic weakness, both globally, particularly in respect of Eurozone countries and companies, and in the U.S.;

risks relating to our potential failure to comply with covenants in our debt agreements;

risks relating to the inability of our operating subsidiaries to declare and pay dividends to RenaissanceRe;

risks that we may require additional capital in the future, particularly after a catastrophic event or to support potential growth opportunities in our business, which may not be available or may be available only on unfavorable terms;

- risks that certain of our new or potentially expanding business lines could have a significant negative impact on our financial results or cause significant volatility in our results for any particular period, including risks relating to our weather and energy risk operations, whose results may be more volatile than we estimate;
- risks arising out of possible changes in the distribution or placement of risks due to increased consolidation of customers or insurance and reinsurance brokers, or from potential changes in their business practices which may be required by future regulatory changes; and

risks relating to changes in regulatory regimes and/or accounting rules, which could result in significant changes to our financial results, including but not limited to, the European Union directive concerning capital adequacy, risk management and regulatory reporting for insurers.

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

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are principally exposed to five types of market risk: interest rate risk; foreign currency risk; credit risk; energy and weather-related risk; and equity price risk. The Company's investment guidelines permit, subject to approval, investments in derivative instruments such as futures, options, foreign currency forward contracts and swap agreements, which may be used to assume risks or for hedging purposes. See the Company's Form 10-K for the fiscal year ended December 31, 2012 for additional information related to the Company's exposure to these risks.

#### ITEM 4. CONTROLS AND PROCEDURES

**Disclosure Controls and Internal Controls:** We have designed various disclosure controls and procedures (as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act), to help ensure that information required to be disclosed in our periodic Exchange Act reports, such as this quarterly report, is recorded, processed, summarized and reported on a timely and accurate basis. Our disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our senior management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

**Evaluation:** An evaluation was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based upon that evaluation, the Company's management, including our Chief Executive Officer and Chief Financial Officer, concluded that, at March 31, 2013, the Company's disclosure controls and procedures were effective at the reasonable assurance level in ensuring that information required to be disclosed in Company reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.

We and our subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct surplus lines insurance policies. This category of business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or disputes arising from our business ventures. Our operating subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages. Generally, our direct surplus lines insurance operations are subject to greater frequency and diversity of claims and claims-related litigation than our reinsurance operations and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving claims on policies issued by our subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in its loss and loss expense reserves which are discussed in its loss reserves discussion. In addition, we may from time to time engage in litigation or arbitration related to claims for payment in respect of ceded reinsurance. We may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, we believe that no individual litigation or arbitration to which we are presently a party is likely to have a material adverse effect on our financial condition, business or operations.

### ITEM 1A. RISK FACTORS

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012.



**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. On February 20, 2013, the Company approved an increase in its authorized share repurchase program to an aggregate amount of \$500.0 million. Unless terminated earlier by resolution of the Company's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The table below details the repurchases that were made under the program during the three months ended March 31, 2013, and also includes other shares purchased which represents withholdings from employees surrendered in respect of withholding tax obligations on the vesting of restricted stock, or in lieu of cash payments for the exercise price of employee stock options.

	Total shares purchased		Other shares purchased		Shares purchased under repurchase program		Dollar amount still available under repurchase program (in millions)
	Shares purchased	Average price per share	Shares purchased	Average price per share	Shares purchased	Average price per share	
Beginning dollar amount available to be repurchased							\$ 286.0
January 1 - 31, 2013	1,369,159	\$81.29	—	\$—	1,369,159	\$81.29	(111.3 )
February 1 - 20, 2013	330	\$84.65	330	\$84.65	—	\$—	—
February 20, 2013 - increased authorized share repurchase program to \$500.0 million							325.3
Dollar amount available to be repurchased							500.0
February 21 - 28, 2013	—		—	\$—	—	\$—	—
March 1 - 31, 2013	64,874	\$87.64	64,874	\$87.64	—	\$—	—
Total	1,434,363	\$81.58	65,204	\$87.62	1,369,159	\$81.29	\$ 500.0

In the future, the Company may adopt additional trading plans or authorize purchase activities under the remaining authorization, which the Board may increase in the future. During the three months ended March 31, 2013, the Company repurchased approximately 1.4 million common shares in open market transactions at an aggregate cost of \$111.3 million and at an average share price of \$81.29.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

- 31.1 Certification of Neill A. Currie, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Jeffrey D. Kelly, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
- 32.1 Certification of Neill A. Currie, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Jeffrey D. Kelly, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INSXBRL Instance Document
- 101.SCHXBRL Taxonomy Extension Schema Document
- 101.CALXBRL Taxonomy Extension Calculation Linkbase Document
- 101.LABXBRL Taxonomy Extension Label Linkbase Document
- 101.PREXBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEFBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

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

RENAISSANCERE HOLDINGS LTD.

Signature	Title	Date
/s/ Jeffrey D. Kelly Jeffrey D. Kelly	Executive Vice President, Chief Financial Officer	May 2, 2013
/s/ Mark A. Wilcox Mark A. Wilcox	Senior Vice President, Corporate Controller and Chief Accounting Officer	May 2, 2013