RENAISSANCERE HOLDINGS LTD
Form ARS
April 29, 2005

Contents

Financial Highlights

RenaissanceRe Holdings Ltd. and Subsidiaries

Operating Return On Common Equity**

Tangible Book Value Per Common Share Plus Accumulated Dividends**

(In thousands, except per share data)	2004	2003*	2002*	2001*	2000
Gross premiums written	$ 1,544,157	$ 1,382,209	$ 1,173,049	$ 501,321	$ 433,002
Operating income available to common shareholders**	109,666	525,488	341,889	166,860	134,379
Net income available to common shareholders	133,108	605,992	342,879	184,956	127,228
Per Common Share Amounts					
Operating income** – diluted	$ 1.53	$ 7.40	$ 4.87	$ 2.67	$ 2.29
Net income – diluted	1.85	8.53	4.88	2.96	2.17
Book value	30.19	29.61	21.37	16.14	11.91
Dividends declared	0.76	0.60	0.57	0.53	0.50

Operating ratios					
Operating return on average common equity**	5.1%	29.3%	26.9%	19.9%	21.0%
Claims and claim expense ratio	81.9%	33.0%	41.2%	38.8%	40.6%
Underwriting expense ratio	22.5%	23.4%	19.0%	25.4%	28.5%
Combined ratio	104.4%	56.4%	60.2%	64.2%	69.1%

*All data reflects restated results for 2001, 2002 and 2003. See Note 2 to the Consolidated Financial Statements in the attached Form 10-K.

**In this annual report we refer to various non-GAAP measures, which are explained in the Comments on Regulation G on page 17.

1

Operating Earnings Per Share**

Company Overview

RenaissanceRe was established in June 1993 to write property catastrophe reinsurance. By pioneering the use of sophisticated computer models to construct our portfolio, we have become one of the world's largest and most successful catastrophe reinsurers. We have leveraged our expertise to establish leading franchises in additional selected areas of insurance and reinsurance where we believe we can enjoy a competitive advantage.

Today, we provide Catastrophe Reinsurance and Specialty Reinsurance. Additionally, we manage joint ventures which provide Catastrophe Reinsurance and Specialty Reinsurance, and we opportunistically invest in strategic joint ventures. We also write primary insurance and quota share reinsurance through our Individual Risk unit.

2

Letter to Shareholders

Our financial strength remains rock solid. Our rapid claims payments following the 2004 hurricanes reinforced our reputation for outstanding reliability and security.

In last year's letter to shareholders, I speculated on what the next ten years might look like for RenaissanceRe. When I wrote that "we may experience a big hurricane...[that produces] relatively worse losses than our competitors," I certainly did not expect it would happen less than a year later. But we are in the risk business, so we need to expect the unexpected and be prepared to handle it.

Due to the four hurricanes that struck Florida during the third quarter, 2004 was by far the worst year RenaissanceRe has ever had. Operating income fell sharply to $110 million from $525 million the previous year, and operating earnings per share were $1.53, compared to $7.40. Tangible book value per share grew by only 2% to $30.19 — not the result that we wanted. Because we made the decision to be overweight in Florida, we underperformed most of our peers, and our string of having the number one operating return on equity in our peer group was broken after 11 straight years. (I do think, however, that our 11-year record will stand as long as Cal Ripken's record for 2,632 consecutive games played.)

Still, RenaissanceRe has never had a losing year (although we undoubtedly will, sometime), and has experienced only one quarterly operating loss in a total of 46 quarters. Recognizing that there is volatility in catastrophe reinsurance, it is important to look at our results over many years, and there we can claim to have the number one operating return on equity in our peer group over the last three years (or any longer period since our inception).

Our Strategy Continues to Serve Us Well

What is truly important about our results in light of the hurricanes, however, are the answers to two questions: First, how well did we respond to our clients' needs for rapid claims payment? Second, did our disproportionately large losses mean that there was some basic flaw in the way we manage our risks?

As to the first question, responding to losses is our opportunity to deliver value to our clients. On insurance and reinsurance managed by our group, so far we have paid over $625 million to insurers (and insureds) of Florida properties to repair damage from the four hurricanes in 2004. Our standard is to pay valid reinsurance claims within 48 hours of receipt. In fact, we advanced payments to some of our clients days after the storms. We try to be the fastest payer in the market. The comments that we have gotten back from our clients and brokers after the World Trade Center loss in 2001 and the Florida hurricanes in 2004 lead us to believe that we probably are.

Concerning the second question, after a thorough review of our losses and the exposures that caused them, I am comfortable that our strategy is sound, as is its execution. Despite the unusual phenomenon of four hurricanes in a row, our models performed reasonably well. (We always treat model output as estimates, not as facts.) We were paid adequately for the risks that we undertook and so, in a sense, our underperformance in 2004 was just a matter of giving back some of our outperformance from the low-loss years of 2002 and 2003.

Excluding the hurricanes (if only we could), we actually had an excellent year.

- Our Specialty Reinsurance business performed well, making an important contribution to earnings. Premiums grew by 31% to $383 million, and losses were relatively low. This business has developed into a meaningful franchise.
- Our Individual Risk business also performed well. Premiums grew 7% to $478 million, and we anticipate considerable growth in 2005. We have now established the infrastructure, in terms of people and technology, necessary for building a major business, and have begun to forge the relationships with a small number of outside program managers who will serve as one of our important bases for future growth.
- Our Ventures business also performed well. Although our DaVinci Re joint venture bore its share of hurricane losses, Top Layer Re continued to be loss-free. An energy trading joint venture involving our weather prediction group, established at the end of 2003, had a very profitable year. Channel Re, our financial guaranty joint venture that commenced operations last year, lived up to our expectations.
- Finally, our net Catastrophe Reinsurance losses were very low in other notable 2004 events such as the tsunami and the Japanese typhoons.

Entering a Softening Market

The reinsurance markets today seem to be awash in capital, which has come from several sources. Most companies were profitable in 2004, and have added to their capital base. Hedge funds, commanding large pools of unrestricted capital, have been entering the catastrophe reinsurance market. Moreover, a new generation of insurance and reinsurance startups have begun to form — even though the results from the last crop of soft market startups (in 1996-7) were not good.

4

Operating Return On Equity

Clearly, we are entering the softening portion of the cycle. In the catastrophe business, it feels to me like 1996, when prices started on an unmistakable decline. At that time, RenaissanceRe was one of the few companies that chose to reduce its top line, while others remained eager to continue to grow by writing business at lower prices. We will again maintain our discipline and refuse to chase business that does not meet our hurdles for return on equity.

As a result of this softening, our catastrophe reinsurance premium volume is likely to fall in 2005. We see downward pressure on pricing in the Specialty Reinsurance and Individual Risk areas as well; however, we are growing from such a small market share in these areas, and have such strong momentum, that we believe there is at least another year of growth available in those businesses.

To deal with the softening market, we have been sharpening our competitive advantages. We have gathered a great deal of new information on Florida hurricanes, which we have incorporated into our models, and are now in a position to use this information to help our reinsurance customers.

One of our greatest assets continues to be our rock-solid financial strength. We have a strong balance sheet, prudent loss reserves and excellent credit ratings. We also continue to enjoy an outstanding reputation with our clients.

Enhancing Our Management and Operations

In the course of a comprehensive review initiated by management, we became aware of accounting errors related to the timing of the effects of certain ceded reinsurance transactions, which required the restatement of our results for 2001, 2002 and 2003. Although this did not have a material impact on our financial condition or our business operations, it was nevertheless an embarrassment for a company that has always striven to be best-in-class in everything we do. I am confident the controls we have in place today would make the repetition of such an oversight unlikely.

In fact, before this discovery, we had already initiated several major operating improvements. We substantially upgraded our control environment, enlarged our accounting and legal departments, and enhanced staff training. This was done to ensure that we maintain high standards across our organization and that we fully satisfy Sarbanes-Oxley requirements. The heightened scrutiny of our industry over the past months will likely drive changes that will affect all insurers and reinsurers.

5

As the market softens, we will refuse to chase business that does not meet our criteria for return.

We intend to closely monitor these developments, so that we can respond as needed.

I believe that the management team we have in place today is as good as we have ever had. During the year, John M. Lummis was promoted to the position of Chief Operating Officer, in addition to his duties as Executive Vice President and Chief Financial Officer. Kevin J. O'Donnell, Senior Vice President and head of Catastrophe Reinsurance, and Michael W. Cash, Senior Vice President and head of Specialty Reinsurance, assumed the responsibilities of David A. Eklund, who relinquished his role as Chief Underwriting Officer in order to spend more time with his family. Dave had been a major contributor to the company's success since its inception, and we are grateful for all his work over the years.

Challenges for 2005

Looking ahead, we are focused on the following challenges:

1. The market is softening, particularly for catastrophe reinsurance. While we have a great track record of managing the catastrophe business through the last soft market, we now need to demonstrate the same skill and discipline in our other businesses.
2. As our business grows more diverse, we must build our management team and processes to effectively execute within a more complex compliance environment and a more competitive business environment.
3. While meeting these internal challenges, our job is still to remain outward-looking and focused on our clients.

I believe that RenaissanceRe has in place the professionals and the organization to meet these challenges, and I look forward to the future with confidence.

Sincerely,

James N. Stanard
Chairman of the Board
Chief Executive Officer
RenaissanceRe Holdings Ltd.

6

Reinsurance

Gross Written Managed Premiums by Line**

Catastrophe Reinsurance Endures a High Cat Year

Since our founding over 11 years ago, RenaissanceRe has gained a reputation for excellence in catastrophe reinsurance. This past year, we again witnessed the seriousness of the business we are in. Although most of the year passed with relative calm, the severe damage wrought by the Florida hurricanes during the third quarter, and the massive destruction and loss of life resulting from the Indian Ocean tsunami at year end, made 2004 a catastrophe year to remember.

For RenaissanceRe, the hurricanes in Florida — a peak exposure area for our company — erased most of our year's profit. The unusual occurrence of four separate hurricanes in rapid sequence caused us a far greater loss than one large hurricane inflicting the same total financial damage, since our own retrocessional coverage would have come into play at the higher loss levels.

Still, these unusual events did not result in an outcome that different from what our models had projected for such a series of occurrences. This was actually highly affirmative for RenaissanceRe — our models were tested by real events and found again to be valid. We concluded that we had formulated the right strategy, been appropriately compensated for our risk, and would make the same decisions again. We incorporated the new information gleaned from the experience into our systems to help us perform better in the future.

Further, our rapid payment of substantial claims reinforced our reputation for reliability and security.

Looking ahead, however, the market environment has shifted. Rates have declined as new capital, from hedge funds and other less specialized reinsurers, has flowed into the market. A price-driven environment is not conducive to rewarding the superior security we offer, so we are working hard to compete by adding value to our customers in other ways; but, remaining true to our discipline, we will refrain from chasing under-priced business.

Specialty Reinsurance Gains Growing Recognition

In contrast, 2004 was a good year for our Specialty Reinsurance business. Premiums grew by over 30% and losses were relatively low. Importantly, we are being approached for an increasing number of large transactions. This is a sign of growing industry recognition that we have developed beyond being a catastrophe reinsurer and that our strong balance sheet can support significant amounts of business.

For some of our specialty areas, we see challenges ahead due to pricing pressure. Rates for terrorism and workers' compensation coverage have been declining, in some cases to lower levels than we find attractive. Our new medical malpractice area was unable to develop as robustly as we had hoped, although in some new business areas, such as surety, market conditions continue to hold up well. We are also watching closely for opportunities to develop in additional areas where significant stress results in market dislocations.

We are particularly pleased that our Specialty area, which started opportunistically, has established itself as a franchise. In Specialty, we bring the same disciplined underwriting and sophisticated analytical tools that we use in our catastrophe business.

7

8

9

Ventures

Ventures

RenaissanceRe Ventures engages in joint ventures and customized products that allow us to bring additional risk-taking capacity to various markets by leveraging existing capabilities and expertise. Through the RenaissanceRe-managed activities, partners and investors can participate alongside us in the reinsurance business and benefit from our underwriting skills and proprietary technology. In other cases, our joint ventures are managed by our partners, which allows us the opportunity to learn and gain from their market position and expertise.

Divergent Results for the Managed Joint Ventures

Our largest managed joint ventures, DaVinci Re and Top Layer Re, have their own balance sheets and participate in risks that our reinsurance unit has evaluated. Top Layer Re participates on catastrophe program layers that are "higher" (more remote) than those assumed by RenaissanceRe and DaVinci Re, which participate alongside each other on catastrophe and also specialty reinsurance programs. In each case, these joint ventures have been funded largely by third-party capital seeking to participate in RenaissanceRe's reinsurance business.

In 2004, DaVinci Re suffered hurricane losses similar to those of our catastrophe unit and as a result incurred a loss of 11% for its investors, which includes RenaissanceRe. Although we continue to benefit from premium-based fee income for managing DaVinci Re, we will not be entitled to any profit commission until we have earned back these underwriting losses for our investors. We believe that this contractual undertaking reinforces our strong relationship with our investors, all of whom have continued to be highly supportive of DaVinci Re.

On the other hand, Top Layer Re continued its record of being loss-free since inception. We earn a premium-based fee for managing Top Layer Re, and also share in its profitability through our 50% ownership.

2004 Saw Us Enter Our First Non-Core Joint Venture

Channel Re, our financial guaranty reinsurance joint venture with MBIA, Koch Financial Corporation and Partner Re Ltd, began operations in early 2004 and performed up to expectations, despite a challenging market environment. The prevailing, uncommonly tight spreads between higher and lower grade fixed income securities meant that lower-rated issuers were less willing to pay for guaranty insurance to enhance their credit ratings, causing a decrease in premium for the primary financial guarantors. Hence, there were fewer reinsurance opportunities, especially in small and mid-size transactions.

Strategic Investments Have a Rewarding Year

In late 2003, we entered into a strategic investment that leverages portions of our proprietary weather technology. We were a founding investor in an energy trading fund that has integrated decision support tools developed by our weather prediction group into a highly-skilled trading operation. The fund has been very successful since its inception.

The market value of our 9.2% equity investment in Platinum Underwriters Holdings, Ltd. remained stable during the year, and we also benefited from fee income related to a consulting arrangement with Platinum. Platinum's book value increased year-over-year, and that, combined with its relatively low price-to-book multiple, still promises upside potential. As a result, we are content to hold this investment and anticipate it to appreciate over time.

Finally, our customized products area also performed well with its relationship-oriented products. Our Catastrophe Portfolio Participation contracts, which enable participants to share in our catastrophe reinsurance portfolio, continue to be attractive to RenaissanceRe's long-term clients, and we were successful in renewing our desired level of coverage for the upcoming underwriting year.

10

The future contains both challenges and opportunities. We have begun to notice our competitors pursuing activities similar to those we've pioneered. Coupled with the abundant flow of capital into the marketplace, this has meant a decrease in the number of sufficiently attractive transactions that appear to have the potential to justify the investment of RenaissanceRe's capital. On the other hand, we retain the nimbleness and creativity to continue to find new ways of accessing the marketplace (both catastrophe and otherwise) and structuring opportunities to produce value. We believe it is this ability that distinguishes RenaissanceRe as a preferred partner, leading to a wide spectrum of potential transactions.

11

Individual Risk

During the year, we were very pleased with the programs we initiated, emphasizing a small number of quality deals over quantity.

Individual Risk Continues to Implement Its Strategy

As with RenaissanceRe's other catastrophe-exposed businesses, Individual Risk, written under the banner of Glencoe Group Holdings Ltd., was affected by the Florida hurricanes, through our large portfolio of catastrophe-related homeowners insurance. Despite this setback, our portfolio outperformed industry averages in this area.

Hurricanes aside, 2004 was a successful year in implementing our long-term strategy: to build a business writing primary insurance and quota share reinsurance in selected higher margin business areas where attractive market conditions present a favorable opportunity and in which our ability to deeply analyze data provides us with a competitive advantage.

During the year, to support our strategy, we have substantially completed the build-out of our infrastructure, including the recruitment of additional underwriting expertise, the enhancement of our processes and systems, and the addition of new locations.

Key to our vision is our distinctive approach to this business. We regard primary insurance and quota share reinsurance as basically similar, in that for both we require thorough analysis and a full understanding of each policy at the individual risk level — before we assume any portion of the business — in order to arrive at adequate pricing for the entire transaction. We only undertake transactions on which we can perform this in-depth analysis.

Working with Partners Who Add Value

We receive business from three separate channels: brokers, who bring us business that we write on a risk-by-risk basis; program managers, with whom we partner on a small number of large programs; and clients — these are primary insurers for whom we provide quota share reinsurance. These business partners understand our approach and share our passion for data and analysis. We work closely with clients and program managers alike, employing our sophisticated analytical methodologies and, where appropriate, our expertise in catastrophe risk, to arrive at adequate pricing for the risks they wish us to assume.

Our lean teams of experts complement the program managers and other vendors with whom we partner and add their own specialized expertise and valuable market knowledge of the areas in which we focus. Furthermore, we outsource to our partners such tasks as claims handling, customer relations, marketing and back office processing, while maintaining active oversight of these activities as well as our partners' underwriting activities.

During the year, we were very pleased with the programs we initiated, emphasizing a small number of quality deals over quantity.

Although our general approach to this business has signaled a radical departure from standard industry practice, during the past year we found many of our competitors have attempted to emulate our methods and have adopted our more rigorous underwriting standards. Once again, this has proven our industry leadership. Similarly, we experienced an increase in referrals from our business partners, whose testimonials have validated our methods and the benefits of working with RenaissanceRe.

At year end, our Individual Risk business was approximately evenly divided between property and liability insurance. We continue to find attractive new opportunities, especially within certain classes of liability, while the property segment has grown less inviting due to softening market conditions. We expect our strong growth will continue in 2005.

12

13

14

Finance and Administration

Strengthening Our Capital Structure and Our Infrastructure

We seek to optimize our capital structure to support our current businesses, to be able to enter new businesses opportunistically, to maintain sufficient liquidity to pay claims quickly, and to steadily increase shareholder value. At year end, we continued to enjoy a strong capital position.

Key elements of our capital management are to raise capital opportunistically and return capital to shareholders when it makes most sense. This year, we raised net proceeds of $242 million through the sale of 6.08% Series C Preference Shares. The perpetual and subordinated nature of these securities added flexibility to our balance sheet.

We incurred over half a billion dollars in hurricane losses during 2004 and yet still achieved profitability, which is testimony to the increased diversification of our business. Having multiple income streams — from different business units — plays an important role in our success.

During 2004, we strengthened our infrastructure to support our increasingly complex and diversified operations. We added staff in information technology and human resources, and increased our legal and accounting departments. Our accounting staff devised a more robust reporting system to better describe business unit results, and we centralized risk assessment capabilities to maximize their utility across the organization. We also built up our back office, which responded in exemplary fashion to heavy customer demand following the Florida hurricanes. We upgraded REMS© (Renaissance Exposure Management System), our proprietary risk management technology, in an ongoing effort to track and manage the key exposures on our balance sheet.

Investment Portfolio Achieves Solid Returns

Our investment strategy has been to maintain a stable, high quality, low-risk portfolio that safeguards security for our clients and steadily contributes to appreciation of our book value. On balance, our portfolio performed satisfactorily.

In 2004, our investments returned 4.00% overall, below the Lehman U.S. Aggregate Fixed Income Index benchmark of 4.34%, but with considerably less volatility. Again, we maintained a large percentage of assets in short-term securities, resulting in a duration of 2.2 years, versus our target of 2.75 - 3 years. This was in response to the low interest rate environment and the prospect of sharply rising rates, which now has begun to occur.

Approximately 6% of our investments is in non-investment grade securities and 8% in alternative assets. Our non-investment grade assets returned 12%, beating their benchmark index. Our alternative investments, in hedge funds and private equity, returned 10% and 15%, respectively.

As in prior years, we managed the very high grade component of our portfolio internally, employing external managers for the other asset classes. During the year, all our external managers outperformed their benchmark indices.

15

Credit Ratings

	S&P	A.M. Best	Moody's
Reinsurance Segment[2]			
Renaissance Reinsurance[1]	AA−	A+	A1
DaVinci Re	A[1]	A	—
Top Layer Re	AA	A+	—
Renaissance Europe[1]	—	A+	—

Individual Risk Segment[2]			
Glencoe[1]	—	A	—
Stonington[1]	—	A	—
Stonington Lloyds[1]	—	A	—
Lantana[1]	—	A	—
Holding Company Senior Debt[1]	A	—	A3

1 These ratings have all been placed under review, with negative implications, by each of the rating agencies.

2 The A.M. Best, S&P and Moody's ratings for the companies in the Reinsurance and Individual Risk segments reflect the insurer financial strength rating.

Perspectives on the Florida Hurricane Market

Florida hurricane risk represents one of the largest catastrophe markets in the world. Participation in such a market can be rewarding.

The 2004 hurricane season, with four strong hurricanes making landfall in Florida, was a unique series of events. Since the U.S. began to record information in the mid-1800's, no hurricane season had experienced this many landfalls in Florida, the most hurricane-exposed state. Additional damages incurred in the Caribbean as a result of the storms contributed to making this year one that materially affected both the U.S. and international insurance markets.

With total damage from the four 2004 Florida hurricanes estimated to be in the range of approximately $28 - $35 billion, this year's hurricane losses were in aggregate worse than 1992's Hurricane Andrew, which caused $20 - $25 billion in damages, in current dollars. Though the total amount of losses was large, this amount was not unusual relative to the worldwide catastrophe risk. According to our estimates, the worldwide insurance industry should expect to experience total annual catastrophe losses in the range of $30 billion or more about once every seven years. It was the four separate events, concentrated in the State of Florida, which will make 2004 a year to remember in the catastrophe business.

Florida Hurricane Facts

Today, Florida hurricane risk represents one of the largest catastrophe exposures in the world. Here are some relative facts to help gauge the level of risk from hurricanes in Florida:

- The Florida hurricane market accounts for approximately 10% of the total worldwide insured natural catastrophe risk.
- Florida accounts for close to 55% of the total U.S. hurricane risk.
- Florida hurricanes account for about 20% of the total U.S. insured catastrophe risk.
- The insured loss potential from Florida hurricanes is approximately on par with the insured loss potential of California earthquakes. Interestingly, only about 15% of California homeowners purchase earthquake protection. If all California homeowners were required to purchase earthquake insurance, the insured earthquake risk in California would be much larger than the Florida hurricane risk.

For a catastrophe reinsurer like RenaissanceRe, Florida is a market in which our products are in very high demand. If managed carefully, participation in such a market can be rewarding.

Unique Industry Structure

The Florida insurance industry, due to its history of hurricane exposure, has developed unlike any other market in the U.S. There have been specific initiatives encompassing both private capital structures and governmental facilities which have created this unique market.

Roughly 60% of the capital supporting residential property exposure is segregated into companies that only write insurance policies in Florida. We estimate that 30% of this total capital resides in Florida-only subsidiaries of larger insurance companies, while 30% is provided by Florida-specific companies started in the wake of Hurricane Andrew. As a result of this segregated capital structure, there is an acute need for reinsurance to assume a portion of this highly volatile and localized risk.

Additionally, demand has outstripped supply in the Florida market and has spurred the creation of large "residual" markets. These residual markets are state-run entities that supplement the insurance and reinsurance industry. They step in when needed to provide coverage where there is either insufficient coverage or no coverage available at all.

Florida Residual Markets

There are two residual property insurance markets in Florida that aid in the protection of property in the case of hurricanes.

The first, the Florida Hurricane Cat Fund (FHCF), protects insurance companies writing residential coverage in Florida against hurricanes by providing reinsurance over an individual company's deductible. The coverage should attach for each company when the industry has experienced about $6 billion in losses. Formed in the wake of Hurricane Andrew, the FHCF provides reinsurance that is supplemental to what can normally be obtained in the private reinsurance market. It has the ability to pay out about $15 billion in total hurricane coverage in any one year.

The second residual market, Citizens Property Insurance Corporation (CPIC), protects high risk properties in the state. The definition of high risk can be homes "on the beach," or other homes for which private coverage is unavailable, such as homes with significant sinkhole risk. Today, CPIC insures about 20% of all the homes in Florida.

These "shock absorber" entities are funded by current premiums and potential post-loss assessments on the insurance industry and policyholders. These post-loss assessments also enable these entities to issue bonds, which provides them with additional capital following a large event.

On the whole, the residual markets have been successful to date in filling the state's gaps in insurance capacity.

Who Paid for 2004?

For the 2004 hurricanes, we estimate the residual markets picked up approximately 20% of the total losses, while primary insurers bore 60% and reinsurers the remaining 20%. The modest portion picked up by the reinsurers reflects the multiple per-occurrence retentions borne by insurers as a result of losses coming from four hurricanes rather than from a single event. A single storm of the same magnitude as the total of the four hurricanes would have resulted in a single retention and, for many companies, would have meant higher reinsurance recoveries from both their reinsurers and the FHCF.

Thumbnail Financial Analysis

To understand the scope of the Florida hurricane market —and the opportunity it presents — we can examine the economics of the residential market by itself. The residential market accounts for about 75% of the total hurricane risk in the state.

- Total annual residential insurance premium amounts to approximately $5.5 billion, of which roughly one-third is dedicated to operating expenses, leaving about $3.7 billion to cover losses and provide for a return to the capital providers.
- In rough numbers, the non-hurricane perils — fire, theft, water damage, etc. — can be expected to account for approximately 35% of premiums, or about $2 billion per year.
- This leaves about $1.7 billion per year to cover catastrophes, primarily hurricanes. If no hurricanes were to occur in any given year, the gross profitability of the industry looks quite attractive.
- However, we estimate that hurricane losses in the Florida residential market will average approximately $2 billion per year over the long run, in today's dollars. This average takes into account years of lower losses and also years of higher losses.

In 2004, residential hurricane losses came to about $17 billion, or about ten times the available annual premium to cover the risk. Insurers would need significant accumulation of premiums in the "good years" to pay out such an amount.

Careful, active management of risk is essential for survival and profitability in this market.

Risk Selection is Important

All companies did not perform equally in the 2004 hurricane losses, with some companies paying out much more than 10 times their collected premium, while others paid out less. Some of the

differences can be attributed to geographic concentration, but upfront underwriting and risk selection, coupled with superior claims execution, were major contributors to the under- or over-performance of a company writing business in the state.

Due to the high risk environment, careful, active management of risk is essential for survival and profitability in this market. We believe it is an interesting challenge to truly produce an adequate return on capital for companies writing property insurance in Florida.

The Future

We believe property rates will continue to rise in Florida over the next few years — the risks are immense and no one is confident that there is enough money in the system to support the risk over the long term. Given the magnitude of losses that can occur in a single year (estimates of greater than $100 billion are common), no one company or facility can assume all of the hurricane risk in Florida.

The hurricanes of 2004 provided a wealth of new data to understand hurricane risk. We are in a better position this time to learn which structures weathered the storms better than others, and this information will result in greater price differentiation for insuring homes of different construction characteristics.

Research into techniques of design and construction that mitigate hurricane damage will also increase. RenaissanceRe is a major sponsor of work being done in this field by Florida International University in Miami. A new facility, the RenaissanceRe Wall of Wind, can create actual full-scale hurricane conditions that give us better insight into wind loadings on different types of structures and the effects of wind-driven rain. Because of the impact of hurricane risk on its citizens, we can expect the State of Florida will continue to be the crucible for hurricane research and for advances in hurricane risk management.

19

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James N. Stanard
Chairman of the Board
Chief Executive Officer
RenaissanceRe Holdings Ltd.

Richard G. Weech
Vice President
RenaissanceRe Ventures Ltd.

Stephen H. Weinstein
Vice President
Chief Compliance Officer
General Counsel and Secretary
RenaissanceRe Holdings Ltd.

Mark A. Wilcox
Vice President
Controller
RenaissanceRe Holdings Ltd.

John R. Wineinger
Vice President
Renaissance Services Ltd.

20

Comments on Regulation G

In addition to the financial measures set forth in this Annual Report prepared in accordance with accounting principles generally accepted in the Unites States ("GAAP"), the Company has included certain non-GAAP financial measures in this Annual Report within the meaning of Regulation G. The Company has consistently provided these financial measurements in previous annual reports and the Company's management believes that these measurements are important to investors and other interested persons, and that investors and such other persons benefit from having a consistent basis for comparison between years and for the comparison with other companies within the industry. These measures may not, however, be comparable to similarly titled measures used by companies outside of the insurance industry. Investors are cautioned not to place undue reliance on these non-GAAP measures in assessing the Company's overall financial performance.

The Company uses "operating income" as a measure to evaluate the underlying fundamentals of its operations and believes it to be a useful measure of its corporate performance. "Operating income" differs from "net income available to common shareholders", which the Company believes is the most directly comparable GAAP measure, only by the exclusion of net realized gains and losses on investments and, in 2002, by the cumulative effect of a change in accounting principle – goodwill. The Company's management believes that "operating income" is useful to investors because it more accurately measures and predicts the Company's results of operations by removing the variability arising from fluctuations in the Company's investment portfolio and by removing non-recurring matters such as changes in accounting principles – goodwill, which are not considered by management to be a relevant indicator of business operations. The Company also uses operating income to calculate operating income per common share and operating return on average common equity. The following is a reconciliation of 1) net income available to common shareholders to operating income available to common shareholders; 2) net income available to common shareholders per common share to operating income available to common shareholders per common share; and 3) return on average common equity to operating return on average common equity:

	Year Ended				
(In thousands of U.S. dollars)	2004	2003	2002	2001	2000
Net income available to common shareholders	$133,108	$605,992	$342,879	$184,956	$127,228
Adjustment for net realized (gains) losses on investments	(23,442)	(80,504)	(10,177)	(18,096)	7,151
Adjustment for cumulative effect of a change in accounting principle – SFAS 142 – Goodwill	—	—	9,187	—	—
Operating income available to common shareholders	$109,666	$525,488	$341,889	$166,860	$134,379
Net income available to common shareholders per common share	$ 1.85	$ 8.53	$ 4.88	$ 2.96	$ 2.17
Adjustment for net realized gains on investments	(0.32)	(1.13)	(0.14)	(0.29)	0.12
Adjustment for cumulative effect of a change in accounting principle – SFAS 142 – Goodwill			0.13		
Operating income available to common shareholders per common share - diluted	$ 1.53	$ 7.40	$ 4.87	$ 2.67	$ 2.29
Return on average common equity	6.2%	33.8%	27.0%	22.1%	19.9%
Adjustment for net realized gains on investments	(1.1%)	(4.5%)	(0.8%)	(2.2%)	1.1%
Adjustment for cumulative effect of a change in accounting principle – SFAS 142 – Goodwill			0.7%		
Operating return on average common equity	5.1%	29.3%	26.9%	19.9%	21.0%

21

The Company has also included in this Annual Report "managed catastrophe premium" and "gross written managed premium". "Managed catastrophe premium" is defined as gross catastrophe premium written by Renaissance Reinsurance and its related joint ventures. "Gross written managed premium" differs from gross written premium, which the Company believes is the most directly comparable GAAP measure, due to the inclusion of premiums written on behalf of our joint ventures Top Layer Re, which is accounted for under the equity method of accounting, and OPCat, which was accounted for under the equity method of accounting prior to 2002. "Managed catastrophe premium" differs from total catastrophe premium, which the Company believes is the most directly comparable GAAP measure, due to the inclusion of catastrophe premium written on behalf of our joint venture Top Layer Re, which is accounted for under the equity method of accounting, and OPCat, which was accounted for under the equity method of accounting prior to 2002. The following is a reconciliation of 1) gross managed premium to gross written premium; and 2) managed catastrophe premium to total catastrophe premium:

	Year Ended				
	2004	2003	2002	2001	2000
Total catastrophe premium	$ 683,179	$ 643,665	$ 643,450	$ 373,896	$ 345,086
Catastrophe premium written by OP Cat	—	—	—	29,129	55,398
Catastrophe premiums written by Top Layer Re	70,242	76,735	73,099	38,761	24,877
Managed catastrophe premium	$ 753,421	$ 720,400	$ 716,549	$ 441,786	$ 425,361
Gross written premium	$1,544,157	$1,382,209	$1,173,049	$ 501,321	$ 433,002
Premium written by OP Cat	—	—	—	29,129	55,398
Premium written by Top Layer Re	70,242	76,735	73,099	38,761	24,877
Gross written managed premium	$1,614,399	$1,458,944	$1,246,148	$ 569,211	$ 513,277

The Company has also included in this Annual Report "tangible book value per share plus accumulated dividends". This is defined as book value per share excluding intangible assets, such as goodwill, plus accumulated dividends. "Tangible book value per share plus accumulated dividends" differs from book value per share, which the Company believes is the most directly comparable GAAP measure, due to the exclusion of goodwill and, in 2002, the effect of a cumulative adjustment due to a change in accounting principle and the inclusion of accumulated dividends.

	Year Ended				
	2004	2003	2002	2001	2000
Book value per share	$ 30.19	$ 29.61	$ 21.37	$ 16.14	$ 11.91
Adjustment for goodwill	—	—	—	(0.14)	(0.17)
Adjustment for accumulated dividends	4.48	3.72	3.12	2.55	2.02
Tangible book value per share plus accumulated dividends	$ 34.67	$ 33.33	$ 24.49	$ 18.55	$ 13.76

22

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For The Fiscal Year Ended December 31, 2004
Commission File No. 34-0-26512

RENAISSANCERE HOLDINGS LTD.
(Exact Name Of Registrant As Specified In Its Charter)

Bermuda	98-014-1974
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda
(Address of Principal Executive Offices)

(441) 295-4513
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, Par Value $1.00 per share	New York Stock Exchange, Inc.
Series A 8.10% Preference Shares, Par Value $1.00 per share	New York Stock Exchange, Inc.
Series B 7.30% Preference Shares, Par Value $1.00 per share	New York Stock Exchange, Inc.
Series C 6.08% Preference Shares, Par Value $1.00 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

The aggregate market value of Common Shares held by nonaffiliates of the registrant at June 30, 2004 was $3,438,733,699 based on the closing sale price of the Common Shares on the New York Stock Exchange on that date.

The number of Common Shares outstanding at March 1, 2005 was 71,026,545.

The information required by Part III of this report, to the extent not set forth herein, is incorporated by reference to the registrant's Definitive Proxy Statement to be filed in respect of our 2005 Annual General Meeting of Shareholders.

RENAISSANCERE HOLDINGS LTD.
TABLE OF CONTENTS

PART I

Unless the context otherwise requires, references in this Annual Report to "RenaissanceRe" or the "Company" means RenaissanceRe Holdings Ltd. and its subsidiaries, which principally include Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), Glencoe Group Holdings Ltd. ("Glencoe Group"), Glencoe Insurance Ltd. ("Glencoe"), Lantana Insurance Ltd. ("Lantana"), Stonington Insurance Company ("Stonington"), Renaissance Underwriting Managers, Ltd. (currently known as "Ventures" and previously known as "Renaissance Underwriting Managers"), Renaissance Reinsurance of Europe ("Renaissance Europe"), Glencoe U.S. Holdings Inc. ("Glencoe U.S."), RenaissanceRe Capital Trust ("Capital Trust"), and Renaissance Investment Holdings Ltd. ("RIHL"). We also underwrite reinsurance on behalf of joint ventures, principally including Top Layer Reinsurance Ltd. ("Top Layer Re") and DaVinci Reinsurance Ltd. ("DaVinci"). DaVinci's financial results are consolidated in our financial statements. Unless the context otherwise requires, references to RenaissanceRe do not include any of the joint ventures for which we provide underwriting services. Certain terms used below are defined in the "Glossary of Selected Insurance Terms" appearing on page 44 of this Report.

NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

1. the occurrence of natural or man-made catastrophic events with a frequency or severity exceeding our estimates, and the risk that the size of net claims relating to the 2004 hurricane losses described herein may change due to the developing nature of some of the reports and estimates of loss and damage to date;
2. risks associated with implementing our business strategies and initiatives for organic growth, including risks relating to managing that growth;
3. risks associated with the growth of our specialty reinsurance and Individual Risk businesses, particularly the development of our infrastructure to support this growth;
4. risks relating to our strategy of relying on program managers, third party administrators, and other vendors to support our Individual Risk operations;
5. other risks of doing business with program managers, including the risk we might be bound to policyholder obligations beyond our underwriting intent, and the risk that our program managers or agents may elect not to continue or renew their programs with us;

1

6. risks relating to the government investigation related to our restatement of the Company's Financial Statements, as well as the industry-wide investigations into non-traditional, or loss mitigation, (re)insurance products, and other industry practices, all of the possible consequences of which we are unable to foresee;
7. the risk that ongoing investigative regulatory developments will disrupt our business, or that of our business partners, or mandate changes in industry practices in a fashion which increases our costs or requires us to alter aspects of the way we do business;
8. acts of terrorism, war or political unrest;
9. the inherent uncertainties in our reserving process, which we believe are increasing as we diversify into new product classes;
10.

emerging claim and coverage issues, which could expand our obligations beyond the amount we intend to underwrite;

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

2

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

ITEM 1. BUSINESS

GENERAL

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

We have developed a proprietary, computer-based pricing and exposure management system, Renaissance Exposure Management System (REMS©). REMS© has analytic and modeling capabilities that help us to assess the risk and return of each incremental reinsurance contract in relation to our overall portfolio of reinsurance contracts. The REMS© modeling system enables the Company to measure each policy on a consistent basis and provides the Company with a measurement of an appropriate price to charge for each policy based upon the risk that is assumed. REMS© combines computer-generated simulations that estimate event probabilities with exposure and coverage information on each client's reinsurance contract to produce expected claims for reinsurance programs submitted to us. We have also customized REMS© by including additional perils, risks and geographic areas that are not captured in commercially available models.

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

<u>Reinsurance</u>

Our Reinsurance segment has three main components:

1) Property catastrophe reinsurance written for our own account and DaVinci – our traditional core business. Our subsidiary, Renaissance Reinsurance, is one of the world's premier providers of this coverage. This coverage protects against large natural catastrophes, such as earthquakes, hurricanes and tsunamis, as well as claims arising from other natural and man-made catastrophes such as winter storms, freezes, floods, fires, tornadoes and explosions. We offer this coverage to insurance companies and other reinsurers primarily on an excess of loss basis. This means that we begin paying when our customers' claims from a catastrophe exceed a certain retained amount.
2) Specialty reinsurance written for our own account and DaVinci covering certain targeted classes of business where we believe we have a sound basis for underwriting and pricing the risk that we assume; our portfolio in 2004 includes various classes of business, such as catastrophe exposed workers' compensation, surety, terrorism and medical malpractice. We believe that we are seen as a market leader in certain of these classes of business and that we have a growing reputation as a "first call" market for these products.
3) Through Ventures, we pursue joint ventures and other strategic relationships. Our three principal business activities in this area are: 1) catastrophe-oriented joint ventures which we manage, such as Top Layer Re and DaVinci; 2) customized reinsurance transactions, such as offering participations in our catastrophe portfolio; and 3) investments in initiatives directed at other classes of risk, in which we partner with other market participants, such as our investments in ChannelRe Holdings Ltd. ("Channel Re") and Platinum Underwriters Holdings Ltd. ("Platinum"). Only business activities that appear in our consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in our Reinsurance segment results; the results of Top Layer Re, Channel Re and Platinum are included in the Other category of our segment results.

<u>Individual Risk</u>

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

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

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

<u>New Business</u>

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

In evaluating such new ventures, we seek an attractive return on equity, the ability to develop or capitalize on a competitive advantage, and opportunities that will not detract from our core Reinsurance and Individual Risk operations. Accordingly, we regularly review strategic opportunities and periodically engage in discussions regarding possible transactions, although there can be no assurance that we will complete any such transactions or that any such transaction would contribute materially to our results of operations or financial condition.

RECENT DEVELOPMENTS

Internal Review. As previously disclosed, in the fourth quarter of 2004 we engaged Boies, Schiller & Flexner LLP ("Boies Schiller") to complete a review of the Company's business practices in light of the industry-wide investigations by the New York Attorney General and other government authorities into a wide range of practices in the insurance and reinsurance industry. Supervision of this review was subsequently taken over by the Board of Directors, with Boies Schiller reporting directly to the independent members of the Board of Directors. The procedures to be performed in this review, as determined by the independent directors in consultation with Boies Schiller, and which included a forensic accountant, have been completed and an oral report has been delivered by Boies Schiller to the independent members of the Board of Directors. In addition, as discussed below, we recently received subpoenas from the Securities and Exchange Commission (the "SEC") and from the Office of the Attorney General of the State of New York, each of which relates to the industry-wide investigation into non-traditional, or loss mitigation, (re)insurance products. The subpoena from the SEC also relates to our business practice review and to our determination to restate the Company's financial statements discussed below. These government investigations are ongoing.

Restatement. The foregoing business practice review led to the restatement of the Company's audited financial statements for the fiscal years ended December 31, 2003, 2002 and 2001 to make corrections of accounting errors associated with reinsurance ceded by the Company (as discussed in greater detail under Item 7 – Management's Discussion and Analysis of Financial Condition and Results of

4

Operations and under Note 2 to our Consolidated Financial Statements). Certain of the corrections are attributable to an Aggregate Excess of Loss Reinsurance contract and an Assignment Agreement, each entered into by Renaissance Reinsurance with Inter-Ocean Reinsurance Company, Ltd. ("Inter-Ocean") in 2001. In connection with the aforementioned review, the Company concluded that these contracts, based on the totality of the surrounding facts and circumstances, should have been treated as a single transaction and, when so treated, lacked the necessary risk transfer to be accounted for as transactions involving ceded reinsurance and a sale of reinsurance recoverables. The remaining restatement corrections are attributable to four multi-year ceded reinsurance contracts. The aggregate net effect of all the corrections is to increase 2003 net income by $1.3 million; to decrease 2002 net income by $21.9 million; and to increase 2001 net income by $20.6 million. See "Management's Discussions and Analysis of Financial Condition and Results of Operations—Restatement of Financial Statements."

The independent members of the Board of Directors, in connection with the aforementioned review, have concluded that certain members of senior management (James N. Stanard, Chief Executive Officer; William I. Riker, President; John M. Lummis, Chief Operating Officer/Chief Financial Officer; Michael W. Cash, Senior Vice President and Martin J. Merritt, Controller) made mistakes and in some instances lacked due care in connection with the original accounting for the Inter-Ocean transactions that led to the restatement. The independent members of the Board of Directors plan to discuss their findings directly with each of the aforementioned executives. The independent members of the Board of Directors also concluded that, since 2001, the Company has made significant improvements in its internal controls, including controls over financial reporting. See – Item 7 "Management's Discussion and Analysis of Results of Operations and Financial Condition".

Credit Ratings.   In February, following our announcement that we planned to restate the Company's financial statements, Standard & Poor's Ratings Services ("S&P") placed on CreditWatch with negative implications the counterparty credit, senior debt, and preferred stock ratings of the Company; the counterparty credit and financial strength ratings on Renaissance Reinsurance; and the counterparty credit and financial strength ratings on DaVinci. In addition, A.M. Best Company, Inc. ("A.M. Best") placed under review with negative implications the issuer credit ratings of the senior debt, preferred stock and capital securities of the Company and also the financial strength ratings of the insurance and reinsurance subsidiaries of the Company. Further, Moody's Investors Service Inc. ("Moody's") revised from "stable" to "negative" the outlook for each of the insurance financial strength rating of Renaissance Reinsurance, and the senior debt, preferred stock and capital securities ratings of the Company.

Subpoenas.   We received a subpoena from the SEC in February 2005 and a subpoena from the Office of the Attorney General of the State of New York in March 2005, each of which relates to the industry-wide investigations into non-traditional, or loss mitigation, (re)insurance products. The subpoena from the SEC also relates to the review referred to above and to our determination to restate the Company's financial statements. We intend to cooperate with the SEC and the New York Attorney General in these ongoing investigations.

CORPORATE STRATEGY

We will seek to generate growth in book value per share plus accumulated dividends for our shareholders by pursuing the following strategic objectives:

- Maintain our position as a leader in the property catastrophe reinsurance business. Based on managed gross premiums written, we are among the largest property catastrophe reinsurers in the world. Property catastrophe reinsurance accounts for a significant portion of our business. We believe that our proprietary modeling technology and underwriting expertise provide us with significant competitive advantages in managing catastrophe risk.
- Enhance our position in the specialty reinsurance market. We have developed a leadership position in certain specialty products, and we intend to maintain this as well as expand this

franchise by pursuing new opportunities in other classes of business, particularly where there has been a significant market dislocation.
- Pursue additional joint venture opportunities. Building upon our relationships and expertise in modeling, underwriting and capital management, we intend to seek new joint venture and investment opportunities, which may include new partners and diversifying classes of business.
- Increase our position in the Individual Risk market. We plan to continue to expand our Individual Risk business by increasing the number and size of our programs and by using technology to help manage the business effectively, while keeping our infrastructure relatively small and leveraging our modeling expertise and franchise value.

We believe we are positioned to fulfill these objectives by virtue of the experience and skill of our management team, our significant financial strength, and our strong relationships with brokers and clients. In addition, we believe our superior service, our proprietary modeling technology, and our extensive business relationships which enabled us to become a leader in the property catastrophe reinsurance market will be instrumental in allowing us to achieve our strategy.

BUSINESS SEGMENTS

We currently conduct our business through two reportable segments, Reinsurance and Individual Risk. Financial data relating to our two segments is included in Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations and in our Consolidated Financial Statements and Notes presented under Item 8.

Reinsurance Segment

As described above, our Reinsurance operations are comprised of three components: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, primarily written through Renaissance Reinsurance and DaVinci; and 3) certain activities of Ventures.

Our portfolio of business has continued to be increasingly characterized by a number of large ceding companies with whom we do business. Accordingly, our written premiums are subject to significant fluctuations depending on our success in maintaining or expanding our relationships with these large customers.

Property Catastrophe Reinsurance

Our property catastrophe reinsurance contracts are generally "all risk" in nature. Our most significant exposure is to losses from earthquakes and hurricanes, although we are also exposed to claims arising from other natural and man-made catastrophes, such as winter storms, freezes, floods, fires, explosions, tornadoes and terror events, in connection with the coverages we provide. Our predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under our property reinsurance contracts when arising from a covered peril.

Because of the wide range of possible catastrophic events to which we are exposed, and because of the potential for multiple events to occur in the same time period, our catastrophe reinsurance business is volatile, and our results of operations may reflect this volatility. Further, our financial condition may be impacted by this volatility over time or at any point in time. The effects of claims from one or a number of severe catastrophic events could have a material adverse effect on us. We expect that increases in the values and concentrations of insured property and the effects of inflation will increase the severity of such occurrences in the future.

We seek to moderate the volatility described in the preceding paragraph through the use of contract terms, portfolio selection methodology, diversification and probability analyses. Also, consistent with risk management practices, we seek to purchase reinsurance protection for our own account and to effect other risk spreading transactions to seek to further reduce the potential volatility of our results.

Catastrophe Excess of Loss Reinsurance. We write catastrophe excess of loss reinsurance, which provides coverage to primary insurers when aggregate claims and claim expenses from a single occurrence of a covered peril exceed the attachment point specified in a particular contract. Under these contracts we indemnify an insurer for a portion of the losses on insurance policies in excess of a specified loss amount, and up to an amount per loss specified in the contract.

A portion of our property catastrophe excess of loss contracts limit coverage to one occurrence in a contract year, but most such contracts provide for coverage of a second occurrence after the payment of a reinstatement premium. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to selected geographic areas. Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage.

Excess of Loss Retrocessional Reinsurance. We enter into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. In providing retrocessional reinsurance, we focus on property catastrophe retrocessional reinsurance which covers the retrocedant on an excess of loss basis when aggregate claims and claim expenses from a single occurrence of a covered peril and from a multiple number of reinsureds exceed a specified attachment point. The coverage provided under excess of loss retrocessional contracts may be on a worldwide basis or limited in scope to selected geographic areas. Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage. Excess retrocessional coverage is generally characterized by high volatility, principally because retrocessional contracts expose a reinsurer to an aggregation of losses from a single catastrophic event. In addition, the information available to retrocessional underwriters concerning the original primary risk can be less precise than the information received from primary companies directly. Moreover, exposures from retrocessional business can change within a contract term as the underwriters of a retrocedant alter their book of business after retrocessional coverage has been bound.

Specialty Reinsurance

We write a number of lines of reinsurance such as catastrophe exposed workers' compensation, surety, terrorism and medical malpractice, which we collectively refer to as specialty reinsurance.

We believe that our underwriting and analytic capabilities have positioned us well to manage and grow this business. Growth in this unit was robust in 2004, as gross written premiums increased 30% year-on-year. Potential losses from many of these coverages could be characterized as low frequency and high severity, similar to our catastrophe reinsurance coverages. We also seek to manage the correlations of this business with our property catastrophe reinsurance portfolio. The professional staff of our specialty reinsurance operations includes persons with underwriting, actuarial science and legal experience.

Ventures

We pursue a number of other opportunities through Ventures, which has responsibility for managing our joint venture relationships, executing customized reinsurance transactions to assume or cede risk and managing certain investments directed at classes of risk other than catastrophe reinsurance. Our professionals have experience across a range of disciplines, including accounting, investment banking and law, as well as insurance and reinsurance.

Property Catastrophe-Oriented Joint Ventures. We actively manage property catastrophe-oriented joint ventures, which provide us with additional presence in the market as well as fee income. They allow us to leverage our access to business and our underwriting capabilities on a larger capital base. Currently, our joint ventures are Top Layer Re and DaVinci. We are the exclusive underwriting manager for each of Top Layer Re and DaVinci.

Top Layer Re writes high excess non-U.S. property catastrophe reinsurance. Top Layer Re is owned 50% by State Farm Mutual Automobile Insurance Company ("State Farm") and 50% by Renaissance Reinsurance. State Farm provides $3.9 billion of stop loss reinsurance coverage to Top Layer Re.

DaVinci writes global reinsurance. In general, we seek to construct for DaVinci a property catastrophe reinsurance portfolio with risk characteristics similar to those of Renaissance Reinsurance's property

catastrophe reinsurance portfolio. We also write certain lines of specialty reinsurance for DaVinci. We owned 25.25% of DaVinci's outstanding equity at December 31, 2004, but controlled a majority of its outstanding voting power, and accordingly DaVinci's financial results are consolidated in our financial statements.

In these joint ventures, we typically provide our partners with underwriting, claims management, risk modeling, capital and investment management services, marketing, reporting, remittances and payments processing and other services. We work within agreed-upon underwriting guidelines, tailored to our partners' requirements, using the same techniques and systems for the underwriting as we apply to our own portfolio. These relationships create fees for services and profit sharing income for Ventures and Renaissance Reinsurance. In turn, our joint ventures have increased the capital we can commit to the catastrophe reinsurance market and have deepened our market penetration.

The following table shows our total managed property catastrophe and specialty reinsurance premiums written:

Year ended December 31,	2004	2003	2002
(in thousands)			
Property catastrophe			
Written for Renaissance Reinsurance (1)	$ 533,339	$ 488,124	$ 455,628

Written for DaVinci	149,840	155,541	187,822
Total property catastrophe premium (2)	683,179	643,665	643,450
Written for Top Layer Re	70,242	76,735	73,099
Total managed property catastrophe premium (3)	753,421	720,400	716,549
Specialty			
Written for Renaissance Reinsurance	351,261	268,506	247,020
Written for DaVinci	31,625	23,314	—
Total specialty premium	382,886	291,820	247,020
Total managed reinsurance premium (3)	1,136,307	1,012,220	963,569
Less: written for Top Layer Re	(70,242)	(76,735)	(73,099)
Total Reinsurance premiums written (2)	$ 1,066,065	$ 935,485	$ 890,470

(1)Includes gross premiums written through our subsidiary Overseas Partners Cat Ltd. ("OP Cat"), which we purchased in 2002, of $4.6 million, $1.5 million and $38.2 million for the years ended December 31, 2004, 2003 and 2002, respectively, and which is consolidated into Renaissance Reinsurance's results.

(2)Excludes combined premium assumed from the Individual Risk segment of $18.8 million, $20.8 million and $22.2 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(3)In addition to the GAAP financial measures set forth in this Form 10-K, we have included certain non-GAAP financial measures in this Form 10-K within the meaning of Regulation G. We have consistently provided these financial measurements in previous filings and we believe that these measurements are important to investors and other interested parties, and that investors and other such persons benefit from having a consistent basis for comparison with other companies within the industry. These measures may not, however, be comparable to similarly titled measures used by companies outside the insurance industry. Investors are cautioned not to place undue reliance on these non-GAAP measures in assessing our overall financial performance.

We have included in this Form 10-K "managed property catastrophe premium" and "managed reinsurance premium". "Managed property catastrophe premium" and "managed reinsurance premium" are defined as gross property catastrophe and gross reinsurance premium, respectively,

written by Renaissance Reinsurance and the joint ventures. "Managed property catastrophe premium" and "managed reinsurance premium" differ from total property catastrophe premium and total reinsurance premium, respectively, which we believe are the most directly comparable GAAP measures, due to the inclusion of catastrophe premium written on behalf of our joint venture Top Layer Re which is accounted for under the equity method of accounting.

Customized Reinsurance Transactions.   Ventures works on a range of other customized reinsurance transactions. For example, we have participated in the market for catastrophe-linked securities. We also offer products through which we cede participations in the performance of our catastrophe reinsurance portfolio. We believe our products contain a number of customized features designed to fit the needs of our partners, as well as our risk management goals.

Business Development Joint Ventures and Other Investments.   Ventures also pursues other types of investments where, rather than assuming exclusive management responsibilities ourselves, we instead partner with other market participants. The results of these investments are not included in the Reinsurance segment results, but instead are included in the Other category of our segment results. These investments are directed at classes of risk other than catastrophe, and at times may also be directed at non-insurance risks. We find these investments attractive both for their expected returns, and also because they provide us diversification benefits and information and exposure to other aspects of the market.

Examples of these investments include:

- Channel Re – a Bermuda-based financial guaranty reinsurer with financial strength ratings of Aaa from Moody's and AAA from S&P. Channel Re was capitalized on February 12, 2004 with equity capital of approximately $366 million, of which RenaissanceRe contributed $120 million, or 32.7%. Channel Re assumed an approximate $27 billion portfolio of in-force business from MBIA Inc., and certain of its affiliates, and will participate in its reinsurance treaty and provide facultative reinsurance support. Channel Re has total claims-paying resources of approximately $750 million.
- Platinum – since its initial public offering in 2002 we have been an investor and also provided modeling and referral services on a fee basis. At December 31, 2004, the fair value of our common shares and warrant in Platinum was $150.5 million. During the fourth quarter of 2004, a lockup provision on the warrant expired and as a result the warrant met the definition of a derivative under FASB Statement No. 133 – "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") and therefore changes in the fair value of the warrant were recorded in other income starting in the fourth quarter of 2004.
- An investment in a hedge fund that trades energy-related securities and derivatives, many of which are influenced by weather conditions, and a private equity fund which invests in energy-related companies. We invested $27.3 million in February 2004 and invested an additional $30.0 million in December 2004. We have the option to invest an additional $27.7 million in these funds.

Individual Risk Segment

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

We operate through the Glencoe Group of companies, whose principal operating subsidiaries are Glencoe, Stonington and Lantana. Glencoe is a Bermuda-domiciled excess and surplus lines insurance company and is currently eligible to do business on an excess and surplus lines basis in 51 U.S. jurisdictions. Stonington, a Texas domiciled insurance company, is licensed on an admitted basis in all 50 states. Lantana is a Bermuda-domiciled insurance company currently eligible as an excess and surplus lines carrier in 50 U.S. jurisdictions.

9

Our Individual Risk business is produced primarily through three distribution channels:

1) Program managers – We write primary insurance through specialized program managers, who produce business pursuant to agreed-upon underwriting guidelines and provide related back-office functions;
2) Quota share reinsurance – We write quota share reinsurance with primary insurers who, similar to our program managers, provide most of the back-office functions. Business is written pursuant to

agreed-upon guidelines; and

3) Brokers – We write primary insurance through brokers on a risk-by-risk basis; all underwriting and back office functions for this business are based in our offices in Bermuda while claims handling is outsourced.

We oversee and monitor both our program managers and the third-party administrators whom we have retained to manage our claims function. Our operations review team at Glencoe Group Services Inc. consists of experienced industry professionals with backgrounds in information technology, claims administration and litigation, actuarial science, legal matters, accounting and financial controls. In addition, we have retained underwriters who are based at the headquarters of certain of our program managers and oversee compliance with our underwriting guidelines.

RATINGS

Over the last five years, we have consistently received high claims-paying and financial strength ratings from A.M. Best, S&P and Moody's. These ratings represent independent opinions of an insurer's financial strength and ability to meet policyholder obligations. See – "Recent Developments" for a review of recent changes.

The ratings of our principal operating subsidiaries and joint ventures by segment and the senior debt ratings of RenaissanceRe are as follows:

At March 1, 2005	S&P	A.M. Best	A.M. Best Financial Size Category	Moody's
REINSURANCE SEGMENT[1]				
Renaissance Reinsurance	AA– [3]	A+ [4]	XIII	A1 [5]
DaVinci	A [3]	A	X	—
Top Layer Re	AA	A+	VII	—
Renaissance Europe	—	A+ [4]	XIII	—
INDIVIDUAL RISK SEGMENT[1]				
Glencoe	—	A [4]	IX	—
Glencoe U.S.	—	A [4]	IX	—
Stonington	—	A [4]	IX	—
Lantana	—	A [4]	IX	—
RenaissanceRe[2]	A [3]	—	—	A3 [5]

1 The A.M. Best, S&P and Moody's ratings for the companies in the Reinsurance and Individual Risk segments reflect the insurer's financial strength rating (see explanation of the rating levels below).

2 The S&P and Moody's ratings for RenaissanceRe represent the credit ratings on its senior unsecured debt.

3 Placed on Watch Negative on February 22, 2005.

4 Placed Under Review with Negative Implications on February 22, 2005.

5 Outlook revised to Negative on February 24, 2005.

S&P. The "AA" range ("AA+", "AA", "AA-"), which has been assigned by S&P to Renaissance Reinsurance and Top Layer Re, is the second highest rating assigned by S&P, and indicates that S&P believes the insurer's capacity to meet its financial commitment on the obligation is very strong, differing only slightly from those rated higher. The "A" range ("A+", "A" and "A-") is the third highest of four ratings ranges within what S&P considers the "secure" category. An insurer rated "A" is believed by S&P to have strong financial security characteristics, but to be somewhat more likely to be affected by business conditions than are insurers with higher ratings.

A.M. Best. "A+" is the second highest designation of A.M. Best's sixteen rating levels. "A+" rated insurance companies are defined as "Superior" companies and are considered by A.M. Best to have a very strong ability to meet their obligations to policyholders. "A" is the third highest designation assigned by A.M. Best, representing A.M. Best's opinion that the insurer has an excellent ability to meet its ongoing obligations to policyholders.

A.M. Best also assigns a financial size category to each of the insurance companies rated. "VII" represents a company with $50-$100 million in capital, "IX" represents a company with $250-$500 million in capital, "X" represents a company with $500-$750 million in capital and "XIII" represents a company with $1.25 – $1.5 billion in capital.

Moody's. Moody's Insurance Financial Strength Ratings and Moody's Credit Ratings represent its opinions of the ability of insurance companies to repay punctually policyholder claims and obligations and senior unsecured debt instruments. Moody's believes that insurance companies rated A1, such as Renaissance Reinsurance, and companies rated A3, such as RenaissanceRe, offer good financial security. However, Moody's believes that elements may be present which suggest a susceptibility to impairment sometime in the future.

UNDERWRITING

Reinsurance

Our primary underwriting goal is to construct a portfolio of reinsurance contracts that maximizes our return on shareholders' equity subject to prudent risk constraints. We assess each new reinsurance contract on the basis of the expected incremental return relative to the incremental contribution to portfolio risk.

We have developed a proprietary, computer-based pricing and exposure management system, REMS©. REMS© was initially developed with consulting assistance from Tillinghast, an actuarial consulting unit of Towers, Perrin, Forster & Crosby, and Applied Insurance Research, Inc., the developer of the CATMAP(TM) system. Since inception, we have continued to invest in and improve REMS©, incorporating our underwriting experience, additional proprietary software and a significant amount of new industry data. REMS© has analytic and modeling capabilities that help us to assess the risk and return of each incremental reinsurance contract in relation to our overall portfolio of reinsurance contracts. We combine the analyses generated by REMS© with other information available to us, including our own knowledge of the client submitting the proposed program, to assess the premium offered against the risk of loss which the program presents. We have licensed and integrated into REMS© a number of third party catastrophe computer models in addition to our base model, which we use to validate and stress test our base REMS© results. While REMS© is most developed in analyzing catastrophe risks, it is also used for analyzing other classes of risk.

We believe that REMS© is a more robust underwriting and risk management system than is currently commercially available elsewhere in the reinsurance industry. Before the Company binds any risk, a significant amount of exposure data is gathered from clients and this exposure data is input into the REMS© modeling system. The REMS© modeling system enables the Company to measure each policy on a consistent basis and provides the Company with a measurement of an appropriate price to charge for each policy based upon the risk that is assumed. REMS© combines computer-generated statistical simulations that estimate event probabilities with exposure and coverage information on each client's reinsurance contract to produce expected claims for reinsurance programs submitted to us. Our models employ simulation techniques to generate 40,000 years of activity, including events causing in excess of $300 billion in insured industry losses. From this simulation, we generate estimates of expected claims, expected profits and a probability distribution of potential outcomes for each program in our portfolio and for our total portfolio. REMS© allows us to score the contracts that we write by comparing the expected profit of a contract with the amount of capital that we allocate to the contract based on its marginal impact on the risk of our portfolio. We have also customized REMS© by including additional perils, risks and geographic areas that are not captured in the commercially available models.

All of our reinsurance underwriters use REMS© in their pricing decisions, which we believe provides them with several competitive advantages. These include the ability:

- to simulate a greater number of years of catastrophic event activity compared to a much smaller sample in generally available models, allowing us to analyze exposure to a greater number and combination of potential events;
- to analyze the incremental impact of an individual reinsurance contract on our overall portfolio;
- to better assess the underlying exposures associated with assumed retrocessional business;
- to price contracts within a short time frame;
- to capture various classes of risk, including catastrophe and other insurance risks;
- to assess risk across multiple entities (including our various joint ventures) and across different components of our capital structure; and
- to provide consistent pricing information.

As part of our risk management process, we also use REMS© to assist us with the purchase of reinsurance coverage for our own account.

We have developed underwriting guidelines, to be used in conjunction with REMS©, that limit the exposure to claims from any single catastrophic event and the exposure to losses from a series of catastrophic events. As part of our pricing and underwriting process, we also assess a variety of other factors, including;

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

In order to define the risk profile of each line of specialty reinsurance, we establish probability distributions and assess the correlations with the rest of our portfolio. In lines with catastrophe risk, such as excess workers' compensation, we are leveraging directly off our skill in modeling for our property catastrophe reinsurance risks, and it is important to understand the correlations between these specialty lines and our catastrophe reinsurance portfolio. For other classes of business, which have little or no natural catastrophe exposure, and hence have significantly less correlation with our property catastrophe reinsurance coverages, probability distributions are derived from a variety of underlying information, including recent historical experience, but with the application of judgment as appropriate. The nature of some of these businesses lends itself less to the analysis that we use on our property catastrophe reinsurance coverages, reflecting both the nature of available exposure information, and the impact of human factors such as tort exposure. We produce probability distributions to represent our underlying risks, which we believe helps us to make consistent

underwriting decisions, and manage our total risk portfolio. Overall we undertake to construct conservative representations of the risks within our models.

Individual Risk

For our catastrophe exposed business in our Individual Risk segment, we utilize proprietary modeling tools that have been developed in conjunction with the modeling and other resources utilized in our Reinsurance operations, as described above. We also combine these analyses with those of our Reinsurance segment to monitor our aggregate group catastrophic exposures.

For the business produced through program managers, we seek to carefully identify and evaluate potential program managers. When evaluating a potential new program manager, we consider numerous factors including: (i) whether the program manager can provide and help us analyze historic loss and other business data; (ii) whether the program manager will bear profit sharing risk and provide us with the other terms and conditions we require; (iii) the integrity and experience of the program manager; (iv) the potential profitability of the program to us; and (v) the availability of our internal resources to appropriately conduct due diligence, negotiate and execute transaction terms, and provide the ongoing monitoring we require. In considering pricing for the products to be offered by the program manager, we evaluate the expected frequency and severity of losses, the costs of providing the necessary coverage (including the cost of administering policy benefits, sales and other administrative and overhead costs) and a margin for profit.

We actively develop and maintain proprietary databases and models to support our underwriting and provide value added services to our partners. These databases and models enable us to better identify and estimate the expected loss experience of particular products and are employed in the design of our products and the establishment of rates. We also monitor pricing adequacy on our products by region, risk and producer. Subject to regulatory considerations, we seek to make timely premium and coverage modifications where we determine them to be appropriate.

We provide our program managers with written underwriting guidelines and monitor their compliance with our guidelines on a regular basis. Also, our contracts generally provide that a portion of the commission payable to our program managers will be on a retrospective basis, which is intended to permit us to adjust commissions based on our profitability and claims experience. We rely on our program managers to perform underwriting pursuant to these contractual guidelines, and believe we benefit from their superior local information and expertise in niche areas.

GEOGRAPHIC BREAKDOWN

Our exposures are generally diversified across geographic zones, but are also a function of market conditions and opportunities. The following table sets forth the percentage of our gross insurance and reinsurance premiums written allocated to the territory of coverage exposure.

Year ended December 31, (in thousands)	2004		2003		2002	
	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written	Gross Premiums Written	Percentage of Gross Premiums Written
Property catastrophe reinsurance						
United States and Caribbean	$ 338,315	21.9%	$ 297,954	21.6%	$ 310,090	26.4%
Europe	141,385	9.1	156,156	11.3	86,461	7.4
Worldwide	90,607	5.9	126,541	9.2	169,790	14.5
Worldwide (excluding U.S) (1)	63,529	4.1	14,968	1.1	56,628	4.8
Australia and New Zealand	28,614	1.9	26,588	1.9	2,127	0.2
Other	20,729	1.3	21,458	1.6	18,354	1.6
Specialty reinsurance (2)	382,886	24.8	291,820	21.1	247,020	21.1
Total Reinsurance (3)	1,066,065	69.0	935,485	67.7	890,470	76.0
Individual Risk (4)	478,092	31.0	446,724	32.3	282,579	24.0
Total gross premiums written	$1,544,157	100.0%	$1,382,209	100.0%	$1,173,049	100.0%

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

(2) The category Specialty reinsurance consists of contracts that are predominantly exposed to U.S. risks, with a small portion of the risks being Worldwide.

(3) Excludes $18.8 million, $20.8 million and $22.2 million of premium assumed from the Individual Risk segment in 2004, 2003 and 2002, respectively.

(4) The category Individual Risk consists of contracts that are primarily exposed to U.S. risks.

RESERVES FOR CLAIMS AND CLAIM EXPENSES

Reserves for claims and claim expenses represent estimates, including actuarial and statistical projections at a given point in time, of an insurer's or reinsurer's expectations of the ultimate settlement and administration costs of claims incurred. Such estimates are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends in claim severity and frequency and other variable factors such as inflation. It is likely that our ultimate liability in respect of these reserves will exceed or be less than our current estimates, possibly materially.

For our property catastrophe reinsurance operations, we initially set our reserves for claims and claim expenses based on case reserves and other reserve estimates reported by insureds and ceding companies. We then add to these claims reserves, our estimates for additional case reserves and an estimate for incurred but not reported ("IBNR") reserves. These estimates are normally based upon our experience with similar claims, our knowledge of potential industry loss levels for each loss, and industry information which we gather and retain in our REMS© modeling system. The estimation of claims resulting from catastrophic events is inherently difficult because of the variability and uncertainty associated with property catastrophe claims.

In reserving for our specialty reinsurance and Individual Risk coverages we currently do not have the benefit of a significant amount of our own historical experience in these lines. Currently we estimate our IBNR reserves for our specialty reinsurance and Individual Risk coverages by utilizing an actuarial method known as the Bornhuetter-Ferguson technique. The utilization of the Bornhuetter-Ferguson technique requires us to estimate an ultimate claims and claim expense ratio and select an estimated loss reporting pattern for each line of business that we offer. We select our

14

estimates of the ultimate claims and claim expense ratios and estimated loss reporting patterns by reviewing industry standards and adjusting these standards based upon the coverages and terms of coverages that we offer.

Because any reserve estimate is simply an insurer's estimate of its ultimate liability, and since there are numerous factors which affect reserves but cannot be determined with certainty in advance, our ultimate payments will vary, perhaps materially, from our initial estimate of reserves. In response to these inherent uncertainties, we have developed a reserving philosophy which attempts to incorporate prudent assumptions and estimates. In recent years, we have experienced favorable adjustments to our reserves, principally relating to catastrophe-exposed coverages. In future periods, assuming future reported and paid claims activity is consistent with that of recent quarters, and barring unforeseen circumstances, we believe that, as our reserves on older accident years continue to age, we may experience further reductions to our older accident year reserves. However, there can be no assurance that such reductions will occur.

All of our estimates are reviewed annually with an independent actuarial firm. We also review certain assumptions and methodologies on a quarterly basis. If we determine that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the quarter in which they are identified. Although we believe that we are cautious in our assumptions, and in the application of our methodologies, we cannot be certain that our ultimate payments will not vary, perhaps materially, from the estimates we have made. Adjustments to our claims reserves will increase current year net income if our current estimates of prior year claims reserves are lower than the initial estimates or will decrease net income if our current estimates of prior year claims reserves are greater than the initial estimates.

We incurred net claims of $1,096.3 million, $369.2 million and $314.5 million for the years ended December 31, 2004, 2003 and 2002, respectively. Our total gross reserves for claims and claim expenses was $1,459.4 million and $977.9 million at December 31, 2004 and 2003, respectively.

The following table represents the development of our generally accepted accounting principles ("GAAP") balance sheet reserves for 1994 through December 31, 2004. This table does not present accident or policy year development data. The top line of the table shows the gross reserves for claims and claim expenses at the balance sheet date for each of the indicated years. This represents the estimated amounts of claims and claim expenses arising in the current year and all prior years that are unpaid at the balance sheet date, including IBNR reserves. The table also shows the re-estimated amount of the previously recorded reserve based on experience as of the end of each succeeding year. The estimate changes as more information becomes known about the frequency and severity of claims for individual years. The "cumulative redundancy (deficiency) on net reserves" represents the aggregate change to date from the indicated estimate of the gross reserve for claims and claim expenses, net of losses recoverable on the second line of the table. The table also shows the cumulative net paid amounts as of successive years with respect to the net reserve liability. At the bottom of the table is a reconciliation of the gross reserve for claims and claim expenses to the net reserve for claims and claim expenses, the gross re-estimated liability to the net re-estimated liability for claims and claim expenses, and the cumulative redundancy (deficiency) on gross reserves.

15

With respect to the information in the table below, it should be noted that each amount includes the effects of all changes in amounts for prior periods.

ear ended December 31, n millions)	1994	1995	1996	1997	1998	1999	2000	2001 (Restated)	2002 (Restated)	2003 (Restated)	2004
ross reserve for claims d claim expenses	$ 63.3	$100.4	$105.4	$110.0	$298.8	$478.6	$403.6	$572.9	$804.8	$977.9	$1,459.
eserve for claims and aim expenses, net of sses recoverable	63.3	100.4	105.4	110.0	197.5	174.9	237.0	355.3	605.3	828.7	1,241.
Year Later	98.5	112.3	105.4	95.1	149.5	196.8	221.0	378.3	511.6	688.4	
Years Later	98.9	112.9	109.4	61.8	149.9	168.4	168.4	344.7	470.5	—	
Years Later	103.4	118.6	87.3	58.2	141.3	121.7	138.6	308.0	—	—	
Years Later	107.9	110.1	90.0	56.8	118.6	111.1	107.7	—	—	—	
Years Later	107.3	114.2	89.5	51.1	117.8	81.9	—	—	—	—	
Years Later	111.9	113.6	83.8	48.2	111.4	—	—	—	—	—	
Years Later	111.6	108.5	81.9	45.6	—	—	—	—	—	—	
Years Later	106.5	107.3	80.1	—	—	—	—	—	—	—	
Years Later	105.2	106.2	—	—	—	—	—	—	—	—	
) Years Later	104.4	—	—	—	—	—	—	—	—	—	
umulative redundancy eficiency) on net reserves	$ (41.1)	$ (5.8)	$ 25.3	$ 64.4	$ 86.1	$ 93.0	$129.3	$ 47.3	$134.8	$140.3	$
umulative Net Paid osses											
Year Later	47.7	55.2	40.7	16.9	54.8	24.6	11.1	88.1	81.9	64.1	
Years Later	65.7	76.4	54.7	24.7	80.1	16.0	0.3	152.0	90.2	—	
Years Later	84.6	86.4	60.6	28.4	69.6	1.2	3.2	111.6	—	—	
Years Later	92.1	91.4	64.1	29.8	69.1	2.7	(7.9)	—	—	—	
Years Later	95.1	94.3	65.3	31.0	69.5	(9.0)	—	—	—	—	
Years Later	97.9	95.3	66.3	31.9	72.5	—	—	—	—	—	
Years Later	98.3	95.9	67.1	32.3	—	—	—	—	—	—	
Years Later	99.0	96.8	67.4	—	—	—	—	—	—	—	
Years Later	99.8	97.0	—	—	—	—	—	—	—	—	
) Years Later	100.0	—	—	—	—	—	—	—	—	—	
ross reserve for claims d claim expenses	63.3	100.4	105.4	110.0	298.8	478.6	403.6	572.9	804.8	977.9	1,459.
einsurance recoverable on paid losses	—	—	—	—	101.3	303.7	166.6	217.6	199.5	149.2	217.
et reserve for claims and aim expenses	63.3	100.4	105.4	110.0	197.5	174.9	237.0	355.3	605.3	828.7	1,241.
ross liability re-estimated	104.4	106.2	80.1	45.6	305.2	443.2	306.7	497.9	650.3	847.4	
einsurance recoverable on paid losses re-estimated	—	—	—	—	193.9	361.4	199.0	189.8	179.8	159.0	
et liability re-estimated	104.4	106.2	80.1	45.6	111.4	81.9	107.7	308.0	470.5	688.4	
umulative redundancy eficiency) on gross	$ (41.1)	$ (5.8)	$ 25.3	$ 64.4	$ (6.4)	$ 35.4	$ 96.9	$ 75.0	$156.3	$130.5	

serves

16

Our largest product has historically been property catastrophe reinsurance where we have exposure to natural and man-made disasters, such as earthquakes, hurricanes, tsunamis, winter storms, freezes, floods, fires, tornadoes and other natural and man-made disasters, such as terrorism. The estimation of claims resulting from catastrophic events is inherently difficult because of the variability and uncertainty associated with property catastrophe claims. Because any reserve estimate is simply an insurer's estimate of its ultimate liability, and since there are numerous factors which affect reserves but cannot be determined with certainty in advance, our ultimate payments will vary, perhaps materially, from our initial estimate of reserves. Therefore, in response to these inherent uncertainties, we have developed a reserving philosophy which attempts to incorporate prudent assumptions and estimates. In recent years, we have experienced favorable adjustments to our reserves, principally relating to catastrophe-exposed coverages. In future periods, assuming future reported and paid claims activity is consistent with that of recent quarters, and barring unforeseen circumstances, we believe that, as our reserves on older accident years continue to age, we may experience further reductions to our older accident year reserves. However, there can be no assurance that such reductions will occur.

The following table presents an analysis of our paid, unpaid and incurred losses and loss expenses and a reconciliation of beginning and ending reserves for claims and claims expenses for the years indicated.

Year ended December 31,	2004	2003	2002
(in thousands)		(Restated)	(Restated)
Net reserves as of January 1	$ 828,691	$ 605,262	$ 355,321
Net reserves assumed (released) in acquisition (sale) of subsidiary	—	(2,090)	33,579
Net incurred related to:			
Current year	1,236,565	462,816	291,520
Prior years	(140,266)	(93,635)	23,005
Total net incurred	1,096,299	369,181	314,525
Net paid related to:			
Current year	619,239	61,770	10,017
Prior years	64,141	81,892	88,146
Total net paid	683,380	143,662	98,163
Total net reserves as of December 31	1,241,610	828,691	605,262
Losses recoverable as of December 31	217,788	149,201	199,533
Total gross reserves as of December 31	$ 1,459,398	$ 977,892	$ 804,795

The prior year favorable reserve development in 2004 of $140.3 million included $113.9 million attributable to our Reinsurance segment and $26.4 million attributable to our Individual Risk segment. The reduction in prior years' estimated ultimate claims reserves in our Reinsurance segment was primarily due to a re-estimation of our ultimate losses associated with six large catastrophe events, which produced a reduction of approximately $31.3 million, a $23.0 million reduction in reserves from numerous smaller catastrophe events and $46.8 million in reductions from our specialty book of business. The reductions in our reserves for the smaller catastrophe events, the reserves for the specialty book of business and the reserves for our Individual Risk segment were driven by the application of our formulaic methodology used for these books of business and is primarily due to the actual paid and reported loss activity being better than what we anticipated when setting the initial IBNR reserves.

17

As at December 31, 2003, the prior year net favorable reserve development in 2003 of $93.6 million was primarily due to favorable reserve development of $68.7 million in our Reinsurance segment and $24.9 million in our Individual Risk segment. Within the Reinsurance segment our property catastrophe line of business recorded $60.6 million in favorable reserve development. This was driven by reductions in the estimated losses on relatively small catastrophes for the 1999 through 2002 accident years. The largest net favorable reserve development on a single event was $5.1 million which related to the reduction in the ultimate cost to settle net claims arising from the European floods of 2002. Our specialty line of business within the Reinsurance segment had favorable reserve development of $8.1 million in 2003 which was principally driven by reductions from the 2002 accident year. Our Individual Risk segment had favorable reserve development of $24.9 million in 2003 which was driven by favorable reserve development in the 2002 accident year associated with the Company's Bermuda-based property business.

Net claims and claim expenses incurred were reduced by $0.8 million during 2004 (2003 – $23.0 million) related to income earned on assumed reinsurance contracts that were classified as deposit contracts with underwriting risk only. Other income was reduced by $1.1 million during 2004 (2003 – $nil) related to losses incurred on assumed reinsurance contracts that were classified as deposit contracts with timing risk only. A deposit liability of $109.3 million is included in reinsurance balances payable at December 31, 2004 (2003 – $80.0 million) and a deposit asset of $6.3 million is included in other assets at December 31, 2004 (2003 – $nil).

Our gross case reserves and IBNR by line of business at December 31, 2004 and 2003 are as follows:

At December 31, 2004	Case Reserves (1)		IBNR		Total	
(in thousands)						
Property catastrophe reinsurance	$	263,541	$	330,744	$	594,285
Specialty reinsurance		107,090		419,917		527,007
Total Reinsurance		370,631		750,661		1,121,292
Individual Risk		138,285		199,821		338,106
Total	$	508,916	$	950,482	$	1,459,398
At December 31, 2003						
Property catastrophe reinsurance	$	196,477	$	238,021	$	434,498
Specialty reinsurance		88,899		256,630		345,529
Total Reinsurance		285,376		494,651		780,027
Individual Risk		95,930		101,935		197,865
Total	$	381,306	$	596,586	$	977,892

(1) Case reserves include our estimate of case reserves for insurance policies, case reserves reported by our counterparties for reinsurance contracts, and additional case reserves for reinsurance contracts, which represent additional case reserves established by management.

Of the total case reserve amounts above, the amount reported by ceding enterprises was $326.8 million at December 31, 2004 and $244.0 million at December 31, 2003. The remaining balance represents additional case reserve estimates established by management.

At December 31, 2004, our estimated IBNR reserves were $950.5 million, and a 5% adjustment to our IBNR reserves, would equate to a $47.5 million adjustment to net claims and claim expenses incurred, which represents 28.9% of our 2004 net income, and 1.8% of shareholders' equity at December 31, 2004.

INVESTMENTS

The table below shows our portfolio of invested assets:

At December 31, (in thousands)	2004	2003
Type of investment		
Fixed maturities available for sale, at fair value		
U.S. treasuries and agencies	$ 919,013	$ 799,311
Non-U.S. government	209,984	290,357
Corporate	1,177,679	846,376
Mortgage-backed	561,550	215,363
Asset-backed	355,066	796,434
Subtotal	3,223,292	2,947,841
Short-term investments, at cost	608,292	660,564
Other investments, at fair value	684,590	369,242
Total managed investment portfolio	4,516,174	3,977,647
Equity investments in reinsurance companies, at fair value	150,519	145,535
Investments in other ventures, under equity method	159,556	35,899
Total investments	$ 4,826,249	$ 4,159,081

At December 31, 2004, we held investments totaling $4.8 billion, compared to $4.2 billion at December 31, 2003, with net unrealized appreciation of $79.0 million at December 31, 2004, compared to $113.4 million at December 31, 2003. Our investment guidelines, which are approved by our Board, 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.

The large majority of our investment portfolios consists of highly rated fixed income securities; however, over time we have increased our exposure to other investments, including hedge funds, private equity partnerships and other investments. At December 31, 2004 these other investments totaled $684.6 million (2003 – $369.2 million) or 14.2% (2003 – 8.9%) of our total investments. It is likely that we will increase our holdings of other investments in the future.

At December 31, 2003 our non-investment grade fixed maturity investments totaled $309.5 million or 10.5% of our total fixed maturity investments, and at December 31, 2004 these non-investment grade fixed maturity investments totaled $269.9 million or 8.4% of our fixed maturity investments. At December 31, 2004, our fixed maturities and short-term investment portfolio had a dollar-weighted average credit quality rating of AA. At December 31, 2004, our average yield to maturity was 3.3% (2003 – 2.7%) before investment expenses.

We currently have a target duration of 2.75 – 3.00 years for our fixed maturities and short-term investments. Our duration at December 31, 2004 was 2.2 years (2003 – 2.0 years), reflecting our view that the current level of rates affords inadequate compensation for the assumption of additional interest rate risk. From time to time, we may reevaluate the target duration in light of our liabilities and market conditions.

As with other fixed income investments, the value of our fixed maturity investments will fluctuate with changes in the interest rate environment and when changes occur in the overall investment market and in overall economic conditions. Additionally, our differing asset classes expose us to other risks which could cause a reduction in the value of our investments. Examples of some of these risks include:

- Changes in the overall interest rate environment can expose us to "prepayment risk" on our mortgage-backed investments. When interest rates decline, consumers will generally make

prepayments on their mortgages and, as a result, our investments in mortgage-backed securities will be repaid to us more quickly than we might have originally anticipated. When we receive these prepayments, our opportunities to reinvest these proceeds back into the investment markets will normally be at reduced interest rates.
- Our investments in debt securities of other corporations are exposed to losses from insolvencies of these corporations, and our investment portfolio can also deteriorate based on reduced credit quality of these corporations.
- Our investments in asset-backed securities are subject to prepayment risks, as noted above, and to the structural risks of these securities. The structural risks primarily emanate from the priority of each security in the issuer's overall capital structure.

The following table summarizes the fair value by contractual maturities of our fixed maturity investment portfolio at the dates indicated. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

At December 31, (in thousands)	2004	2003
Due in less than one year	$ 77,746	$ 24,912
Due after one through five years	1,495,073	1,469,428
Due after five through ten years	539,040	296,796
Due after ten years	194,817	144,908
U.S. mortgage-backed securities	561,550	215,363
U.S. asset-backed securities	355,066	796,434
Total	$ 3,223,292	$ 2,947,841

The following table summarizes the composition of the fair value of the fixed maturity portfolio at the dates indicated by ratings as assigned by S&P or Moody's.

At December 31,	2004	2003
AAA	68.0%	69.0%

AA	8.7	8.8
A	7.7	5.8
BBB	7.2	5.9
BB	2.6	2.5
B	3.3	4.9
CCC	1.3	1.9
CC	0.0	0.5
D	0.1	0.1
NR	1.1	0.6
	100.0%	100.0%

The Company's fixed maturity investments are classified as available for sale and are reported at fair value. The net unrealized appreciation or depreciation on these investments is included in accumulated other comprehensive income. Net investment income includes interest income together with amortization of market premiums and discounts and is net of investment management and custody fees. The amortization of premium and accretion of discount for fixed maturity investments is computed using the effective yield method. Fair values of fixed maturity investments are based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications and/or internal pricing valuation techniques.

Realized gains or losses on the sale of fixed maturity investments are determined using the average cost method and include adjustments to the cost for declines in value that are considered to be other than temporary. The Company routinely assesses whether declines in the fair value of its fixed maturity investments below cost represent impairments that are other than temporary. There are several factors that are considered in the assessment of a security, which include (i) the time period during which there has been a significant decline below cost, (ii) the extent of the decline below cost, (iii) the Company's intent and ability to hold the security, (iv) the potential for the security to recover in value, (v) an analysis of the financial condition of the issuer and (vi) an analysis of the collateral structure and credit support of the security, if applicable. Where the Company has determined that there is an other than temporary decline in the fair value of the security, the cost of the security is written down to the fair value and the unrealized loss at the time of the determination is charged to income.

The following table presents an analysis of the continuous periods during which the Company has held fixed maturity investment positions which were carried at an unrealized loss as of December 31, 2004 and 2003:

At December 31, 2004	0 – 6 Months	6 – 12 Months	> 12 Months	Total
(in thousands, except number of positions)				
Fixed maturity investments:				
Number of positions	384	303	137	824
Market value	$ 1,431,546	$ 276,453	$ 63,046	$ 1,771,045
Amortized cost	1,437,672	279,534	63,837	1,781,043
Gross unrealized loss	$ (6,126)	$ (3,081)	$ (791)	$ (9,998)

At December 31, 2004	0 – 6 Months	6 – 12 Months	> 12 Months	Total
Fixed maturity investments:				
Number of positions	355	68	7	430
Market value	$ 392,451	$ 114,003	$ 2,850	$ 509,304
Amortized cost	395,014	115,956	3,332	514,302
Gross unrealized loss	$ (2,563)	$ (1,953)	$ (482)	$ (4,998)

During the year ended December 31, 2004, the Company experienced $1.2 million (2003 – $0.2 million) in other than temporary impairment charges.

21

Other Investments

The table below shows our portfolio of other investments:

At December 31, (in thousands)	2004	2003
Type of investment		
Hedge funds	$ 293,462	$ 170,116
Senior secured bank loan fund	116,560	77,249
European high yield credit fund	87,689	38,333
Private equity partnerships	82,381	24,169
Medium term note representing an interest in a pool of European fixed income securities	50,000	30,000
Non-US convertible fund	28,214	—
Miscellaneous other investments	26,284	29,375
Total other investments	$ 684,590	$ 369,242

The fair value of certain of our other investments is generally established on the basis of the net valuation criteria established by the managers of such investments. These net valuations are determined based upon the valuation criteria established by the governing documents of such investments. Such valuations may differ significantly from the values that would have been used had ready markets existed for the shares, partnership interests or notes. Many of the investments are subject to restrictions on redemptions and sale which are determined by the governing documents and limit our ability to liquidate these investments in the short term. Due to a lag in the valuations reported by the fund managers, the majority of our hedge fund and private equity partnership valuations are reported on a one month or one quarter lag. Interest income, income distributions and realized and unrealized gains and losses on other investments are included in net investment income and totaled $46.9 million (2003 – $25.9 million) of which $24.4 million (2003 – $21.2 million) was related to net unrealized gains.

We have committed capital to private equity partnerships of $260.2 million, of which $83.2 million was contributed at December 31, 2004.

Equity Investments in Reinsurance Company. The equity investments in reinsurance company relate to our November 1, 2002 purchase of 3,960,000 common shares of Platinum in a private placement transaction. In addition, we received a 10-year warrant to purchase up to 2.5 million additional common shares of Platinum for $27.00 per share. We purchased the common shares and warrant for an aggregate price of $84.2 million. At December 31, 2004, we owned (exclusive of the warrant) 9.2% of Platinum's outstanding common shares. We have recorded our investment in Platinum at fair value, and at December 31, 2004 the aggregate fair value was $150.5 million (2003 – $145.5 million). The fair value of the common shares is based on the market price of Platinum's shares as at the balance sheet date. The fair value of the warrant is estimated by us using the Black-Scholes option pricing model. The aggregate unrealized gain of $38.9 million (2003 – $34.6 million) on the Platinum common shares is included in accumulated other comprehensive income in our consolidated financial statements. During the fourth quarter of 2004, a lockup provision on the warrant expired and as a result the warrant met the definition of a derivative under FAS 133 and therefore changes in the fair value of the warrant were recorded prospectively in other income from November 2004. At December 31, 2004, $27.4 million was recorded in other income representing the unrealized gain on the warrant. This includes a $23.8 million one-time reclassification from other comprehensive income to other income which occurred during the fourth quarter of 2004 with the $3.6 million remainder being the increase in fair value from November 2004. At December 31, 2003, the aggregate unrealized gain on the Platinum warrant was $26.7 million which was included in other comprehensive income.

Investments in Other Ventures, under Equity Method. Investment in other ventures, under equity method includes our investment in Channel Re of $128.5 million (2003 – $1.0 million), which is carried using the equity method. We invested $119.7 million in Channel Re and our earnings from Channel Re, which are reported one quarter in arrears, totaled $9.8 million in 2004 (2003 – $nil) and are included in other income. Investments in other ventures, under equity method also includes our investment in Top Layer Re of $31.1 million (2003 – $34.9 million), which is 50% owned by Renaissance Reinsurance and is carried using the equity method. Our earnings from Top Layer Re totaled $17.4 million for the year ended December 31, 2004 (2003 – $21.2 million) and are included in other income. In addition, in 2004 the Company also invested in a joint venture focused on trading weather-sensitive commodities and securities, the earnings from which were included in other income until the third quarter of 2004. As a result of the restructuring of the joint venture as at July 1, 2004, the balance of the investment was recorded in other investments and the income from the investment was recorded in investment income for the remainder of the year. The earnings from this investment recorded in other income totaled $3.9 million in 2004.

RIHL. In 2002, we commenced utilization of our subsidiary RIHL, a Bermuda company we organized for the primary purpose of holding the investments in high quality marketable securities of RenaissanceRe, our operating subsidiaries and certain of our joint venture affiliates. RIHL permits us to consolidate and substantially facilitate our investment management operations. RenaissanceRe and each of our participating operating subsidiaries and affiliates has transferred to RIHL marketable securities or other assets, in return for a subscription of RIHL equity interests. Each RIHL share is redeemable for cash or in marketable securities. Over time, the participants in RIHL are expected to both subscribe for additional shares and redeem outstanding shares, as our and their respective liquidity needs change.

As a result of the high quality of the assets transferred to and maintained by it, RIHL has been rated AAAf/S2 by S&P. We have exclusive responsibility for managing the day-to-day affairs of RIHL and have sole management responsibility over its portfolio. Mellon Bank, N.A., provides RIHL with certain custodial functions, including custody of its outstanding shares and valuation of its assets.

Under the terms of certain reinsurance contracts, certain of our subsidiaries and joint ventures may be required to provide letters of credit to reinsureds in respect of reported claims and/or unearned premiums. As described below under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Summary of Results of Operations for 2004, 2003 and 2002 – Capital Resources," we maintain a facility which, as of January 18, 2005, makes available to our operating subsidiaries and joint ventures letters of credit having an aggregate face amount not to exceed $850 million. To support the facility, our participating operating subsidiaries and joint ventures have pledged RIHL shares and other securities owned by them as collateral. We had outstanding letters of credit of $670.6 million at December 31, 2004 (2003 – $384.4 million).

COMPETITION

The insurance and reinsurance industries are highly competitive and, provided that a company has sufficient capital and necessary management expertise, the barriers to entry into the reinsurance markets are not significant.

With total managed catastrophe premiums written of $753.4 million for the year ended December 31, 2004, we are one of the largest providers of property catastrophe reinsurance in the world. Our principal competition in the industry comes from major U.S. and non-U.S. insurers and reinsurers, including other Bermuda-based reinsurers. Though these companies offer property catastrophe reinsurance, in many cases it accounts for a relatively small percentage of their total portfolio. Our competition with respect to our specialty reinsurance business generally also comes from the same U.S. and non-U.S. insurers and reinsurers.

In our Individual Risk business, we face competition from independent insurance companies, subsidiaries or affiliates of major worldwide companies and others, some of which have greater financial and other resources than we do. Primary insurers compete on the basis of various factors including distribution channels, product, price, service, financial strength and reputation.

The reinsurance markets are continuing to accumulate capital by retaining profits. Also, hedge funds have shown increasing interest in entering the reinsurance market, either through the formation of reinsurance companies, or through the use of other financial products.

Following the World Trade Center disaster, a number of new companies were formed to compete in the reinsurance and specialty insurance markets. A number of these new companies were formed in Bermuda. In addition, a number of existing market participants raised new capital, thereby strengthening their ability to compete.

We are also aware of many potential initiatives by capital market participants to produce alternative products that may compete with the existing catastrophe reinsurance markets. Among other matters, over the last several years capital markets participants, including exchanges and financial intermediaries, have developed financial products intended to compete with traditional reinsurance. In addition, the tax policies of the countries where our clients operate can affect demand for reinsurance. We are unable to predict the extent to which the foregoing new, proposed or potential initiatives may affect the demand for our products or the risks which may be available for us to consider offering coverage.

INDUSTRY TRENDS

The reinsurance and insurance industries have been markedly cyclical, characterized by periods of decreasing prices followed by periods of increasing prices. The pricing environment is influenced by changes, sometimes substantial, in the level of both demand and supply of insurance or reinsurance; often these changes are the result of changes in the perception of risk following large industry loss events. In particular, the catastrophe-exposed lines in which we are a market leader are affected significantly by volatile and unpredictable developments, including natural and man-made disasters, such as hurricanes, windstorms, earthquakes, floods, fires, explosions, and acts of terrorism, such as the World Trade Center disaster. The occurrence, or nonoccurrence, of catastrophic events, the frequency and severity of which are inherently unpredictable, affects both industry results and consequently prevailing market prices of our products.

The following are certain industry trends we have observed:

- The property markets are becoming increasingly competitive, despite the occurrence of various natural disasters in 2004, partially due to the increase in capital of new and existing market participants. Accordingly, there are price declines in many markets.
- Prices in the specialty reinsurance markets are also generally declining. However, we continue to find opportunities in a small number of large transactions that are specific to our close relationships with our clients.
- In our Individual Risk business, there is continued softening in the commercial property markets. However, we continue to see opportunities in select lines of business.
- The long term credit quality of insurance and reinsurance companies, and the related credit ratings of those companies are becoming an increasing concern of many insurance and reinsurance customers. We believe this will offer opportunities to companies such as ours with strong credit ratings, a seasoned management team, and a history of successful performance.

A substantial amount of capital has entered the insurance and reinsurance markets both through investments in established companies and through start-up ventures. Also, as noted above, hedge funds have been increasingly active in the reinsurance market and markets for related risks. It is possible that the new capital in the market could cause further reductions in prices of our products. To the extent that industry pricing of our products does not meet our hurdle rate, we would plan to reduce our future underwriting activities thus resulting in reduced premiums and a reduction in expected earnings. A reduction in our underwriting activities could result in excess capital which we may return to our shareholders by way of share repurchases. We currently have Board authorization to repurchase up to $150 million of shares. Any such repurchase will be subject to market conditions and other factors.

MARKETING

Reinsurance

We believe that our modeling and technical expertise, and the risk management advice that we provide to our clients, has enabled us to become a provider of first choice to our insurers and reinsurers worldwide. We market our Reinsurance products worldwide exclusively through reinsurance brokers. We focus our marketing efforts on targeted brokers and insurance and reinsurance companies. We believe that our existing portfolio of business is a valuable asset and, therefore, we attempt to continually strengthen relationships with our existing brokers and clients. We target prospects that are capable of supplying detailed and accurate underwriting data and that potentially add further diversification to our book of business.

We believe that primary insurers' and brokers' willingness to use a particular reinsurer is based not just on pricing, but also on the financial security of the reinsurer, its claim paying ability ratings, the quality of a reinsurer's service, the reinsurer's willingness to design customized programs, its long-term stability and its commitment to provide reinsurance capacity. We have established a reputation with our brokers and clients for prompt response on underwriting submissions, fast claims payments and a reputation for providing creative solutions to our customers' needs. Since we selectively write large lines on a limited number of property catastrophe reinsurance contracts, we can establish reinsurance terms and conditions on those contracts that are attractive in our judgment, make large commitments to the most attractive programs and provide superior client responsiveness. We believe that our ability to design customized programs and to provide advice on catastrophe risk management has helped us to develop long-term relationships with brokers and clients.

Our reinsurance brokers assess client needs and perform data collection, contract preparation and other administrative tasks, enabling us to market our reinsurance products cost effectively by maintaining a smaller staff. We believe that by maintaining close relationships with brokers, we are able to obtain access to a broad range of potential reinsureds. Subsidiaries and affiliates of Marsh Inc., the Benfield Group Limited, the Willis Group and AON Corporation accounted for approximately 27.2%, 25.1%, 17.2% and 12.7%, respectively, of our gross reinsurance premiums written in 2004.

During 2004, our Reinsurance operations issued authorization for coverage on programs submitted by 46 brokers worldwide (2003 – 53 brokers). We received approximately 1,800 program submissions during 2004 (2003 – approximately 2,100). Of these submissions, we issued authorizations for coverage for over 630 programs, or approximately 35% of the program submissions received (2003 – approximately 660 programs, or approximately 31%).

Individual Risk

Our Individual Risk products are offered through a select number of specialized program managers and through brokered quota share relationships with other insurance companies. Our Individual Risk products are also marketed through a diverse group of surplus lines brokers operating primarily in catastrophe-exposed states. Our financial security ratings, combined with our reputation in the reinsurance marketplace, have enhanced our presence in the Individual Risk markets. Our Individual Risk operations are structured to create and maintain a comprehensive database of catastrophe-exposed property risks.

In our program business opportunities, we establish relationships with program managers, providing them with modeling expertise and risk analysis. We strive to work closely with these program managers, with the goal of obtaining a long-term competitive advantage in their respective niche markets. We believe that our existing program managers are an important source of referrals and endorsements of our unique approach.

We have also partnered with a limited number of insurance companies on a quota-share reinsurance basis. In most cases, catastrophe risk is a substantial component of the risk and we assist in evaluating and managing this risk.

EMPLOYEES

At December 31, 2004, we and our subsidiaries employed 156 people. We believe that our strong employee relations are among our most significant strengths. None of our employees are subject to collective bargaining agreements. We are not aware of any current efforts to implement such agreements at any of our subsidiaries.

A majority of our employees receive some form of equity-based incentive compensation as part of their overall compensation package. At March 1, 2005, our directors and executive officers beneficially owned approximately 8.9% of our outstanding common shares. In addition, all of our directors and executive officers are subject to stock ownership guidelines that require each to hold a specified amount of stock.

Many of our Bermuda-based employees, including a majority of our senior executives, are employed pursuant to work permits granted by the Bermuda authorities. These permits expire at various times over the next few years. Bermuda government policy limits the duration of work permits to a total of six years, which is subject to certain exemptions for key employees.

REGULATION

Bermuda Regulation

Registration. The Insurance Act 1978, as amended, and Related Regulations (the "Insurance Act"), which regulates the business of our Bermuda insurance subsidiaries, provides that no person may carry on an insurance business (including the business of reinsurance) in or from within Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority (the "BMA"). Renaissance Reinsurance and DaVinci are registered as Class 4 insurers, and Glencoe, Lantana and Top Layer Re are registered as Class 3 insurers under the Insurance Act. The BMA, in deciding whether to grant registration, has broad discretion to act as it thinks fit in the public interest. The BMA is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise. In connection with the applicant's registration, the BMA may impose conditions relating to the writing of certain types of insurance. Further, the Insurance Act stipulates that no person shall, in or from within Bermuda, act as an insurance manager, broker, agent or salesman unless registered for the purpose by the BMA. Ventures is registered as an insurance manager under the Insurance Act.

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

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

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

Independent Approved Auditor. Every registered insurer must appoint an independent auditor who will annually audit and report on the Statutory Financial Statements and the Statutory Financial Return of the insurer, both of which, in the case of each of a Class 3 insurer and a Class 4 insurer, are required to be filed annually with the BMA. The auditor must be approved by the BMA as the independent auditor of the insurer. If the insurer fails to appoint an approved auditor or at any time fails to fill a vacancy for such auditor, the BMA may appoint an approved auditor for the insurer and shall fix the remuneration to be paid to the approved auditor within fourteen days, if not agreed sooner by the insurer and the auditor. The approved auditor may be the same person or firm which audits the insurer's financial statements and reports for presentation to its shareholders.

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

Statutory Financial Statements. An insurer must prepare annual Statutory Financial Statements. The Insurance Act prescribes rules for the preparation and substance of such Statutory Financial Statements (which include, in statutory form, a balance sheet, income statement, and a statement of capital and surplus, and detailed notes thereto). The insurer is required to give detailed information and analyses regarding premiums, claims, reinsurance and investments. The Statutory Financial Statements are not prepared in accordance with GAAP and are distinct from the financial statements prepared for presentation to the insurer's shareholders under the Companies Act 1981 of Bermuda, which financial statements may be prepared in accordance with GAAP. The insurer is required to

27

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submit the Annual Statutory Financial Statements as part of the Annual Statutory Financial Return. The Statutory Financial Statements and the Statutory Financial Return do not form part of the public records maintained by the BMA.

Minimum Solvency Margin and Restrictions on Dividends and Distributions. The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin which varies with the type of registration of the insurer under the Insurance Act and the insurer's net premiums written and loss reserve level. The minimum solvency margin for a Class 4 insurer is the greatest of $100.0 million, 50% of net premiums written (with a credit for reinsurance ceded not exceeding 25% of gross premiums) and 15% of loss and loss expense provisions and other insurance reserves. The minimum solvency margin for a Class 3 insurer is the greatest of $1.0 million, 20% of the first $6.0 million of net premiums written plus 15% of net premiums written in excess of $6.0 million, and 15% of loss and loss expense provisions and other insurance reserves.

The Insurance Act mandates certain actions and filings with the BMA if a Class 3 insurer or a Class 4 insurer fails to meet and/or maintain the required minimum solvency margin. Both Class 3 insurers and Class 4 insurers are prohibited from declaring or paying any dividends if in breach of the required minimum solvency margin or minimum liquidity ratio (the relevant margins) or if the declaration or payment of such dividend would cause the insurer to fail to meet the relevant margins. Where an insurer fails to meet its relevant margins on the last day of any financial year, it is prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA. Further, a Class 4 insurer is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its relevant margins. Class 3 insurers and Class 4 insurers must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to those under the Companies Act 1981 which apply to all Bermuda companies.

Annual Statutory Financial Return. Class 3 and Class 4 insurers are required to file with the BMA a Statutory Financial Return no later than four months after the insurer's financial year end (unless specifically extended). The Statutory Financial Return includes, among other items, a report of the approved independent auditor on the Statutory Financial Statements of the insurer; a declaration of the statutory ratios; a solvency certificate; the Statutory Financial Statements themselves; the opinion of the approved Loss Reserve Specialist in respect of the loss and loss expense provisions and, only in the case of Class 4 insurers, certain details concerning ceded reinsurance. The solvency certificate and the declaration of the statutory ratios must be signed by the principal representative and at least two directors of the insurer, who are required to state whether the minimum solvency margin and, in the case of the solvency certificate, the minimum liquidity ratio, have been met, and the independent approved auditor is required to state whether in its opinion it was reasonable for them to so state and whether the declaration of the statutory ratios complies with the requirements of the Insurance Act. Where an insurer's accounts have been audited for any purpose other than compliance with the Insurance Act, a statement to that effect must be filed with the Statutory Financial Return.

Supervision, Investigation and Intervention. The BMA may appoint an inspector with extensive powers to investigate the affairs of an insurer if the BMA believes that an investigation is required in the interest of the insurer's policyholders or persons who may become policyholders. In order to verify or supplement information otherwise provided to them, the BMA may direct an insurer to produce documents or information relating to matters connected with the insurer's business. Moreover, the BMA has the power to appoint professional persons to prepare reports about registered insurers, such as Renaissance Reinsurance, DaVinci and Glencoe. If it appears to the BMA to be desirable in the interests of policyholders, the BMA may also exercise these powers in relation to subsidiaries, parents and other affiliates of registered insurers.

If it appears to the BMA that there is a risk of the insurer becoming insolvent, or that the insurer is in breach of the Insurance Act or any conditions or its registration under the Insurance Act, the BMA

28

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

In addition to powers under the Insurance Act to investigate the affairs of an insurer, the BMA may require certain information from an insurer (or certain other persons) to be produced to them. The BMA has the power to assist other regulatory authorities, including foreign insurance regulatory authorities, with their investigations involving insurance and reinsurance companies in Bermuda if the BMA is satisfied that the assistance being requested is in connection with the discharge of regulatory responsibilities and that such cooperation is in the public interest.

Under the Companies Act, the Minister has been given powers to assist a foreign regulatory authority which has requested assistance in connection with inquiries being carried out by it in the performance of its regulatory functions. The Minister's powers include requiring a person to furnish him with information, to produce documents to him, to attend and answer questions and to give assistance in connection with enquiries. The Minister must be satisfied that the assistance requested by the foreign regulatory authority is for the purpose of its regulatory functions and that the request is in relation to information in Bermuda which a person has in his possession or under his control. The Minister must consider, amongst other things, whether it is in the public interest to give the information sought.

An insurer is required to maintain a principal office in Bermuda and to appoint and maintain a principal representative in Bermuda. For the purpose of the Insurance Act, the principal office of each of Renaissance Reinsurance, DaVinci and Glencoe is at our offices at Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda. Without a reason acceptable to the BMA, an insurer may not terminate the appointment of its principal representative, and the principal representative may not cease to act as such, unless thirty days' notice in writing to the BMA is given of the intention to do so. It is the duty of the principal representative, having formed the view that there is a likelihood of the insurer for which he acts becoming insolvent or its coming to his knowledge, or his having reason to believe that a reportable event has occurred, to orally notify the BMA immediately and, within fourteen days of the relevant view having been formed, to make a report in writing to the BMA setting out all the particulars of the case that are available to him. Examples of such an event include failure by the insurer to comply substantially with a condition imposed upon the insurer by the BMA relating to a solvency margin or a liquidity or other ratio.

Certain Other Bermuda Law Considerations. As "exempted companies", we and our Bermuda subsidiaries are exempt from certain Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians. However, as exempted companies, we and our Bermuda subsidiaries may not participate in certain business transactions, including (1) the acquisition or holding of land in Bermuda (except that required for their business and held by way of lease or tenancy for terms of not more than 50 years) without required authorization, (2) the taking of mortgages on land in Bermuda to secure an amount in excess of $50,000 without the consent of the Minister, (3) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities or securities issued by Bermuda public authorities or (4) the carrying on of business of any kind in Bermuda, except in furtherance of our business carried on outside Bermuda or under license granted by the Minister. Generally it is not permitted without a special license granted by the Minister to insure Bermuda domestic risks or risks of persons of, in or based in Bermuda.

We and our Bermuda subsidiaries must comply with the provisions of the Companies Act regulating the payment of dividends and making distributions from contributed surplus. A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

U.S. Regulation

Reinsurance Regulation. Our Bermuda operations consist of Renaissance Reinsurance, DaVinci, Glencoe and Lantana. Renaissance Reinsurance and DaVinci are Bermuda-based companies that operate as reinsurers. Although neither company is admitted to transact the business of insurance in any jurisdiction except Bermuda, the insurance laws of each state of the U.S. regulate the sale of reinsurance to ceding insurers authorized in the state by non-admitted alien reinsurers, such as Renaissance Reinsurance or DaVinci, acting from locations outside the state. Rates, policy terms and conditions of reinsurance agreements generally are not subject to regulation by any governmental authority. A primary insurer ordinarily will enter into a reinsurance agreement, however, only if it can obtain credit for the reinsurance ceded on its statutory financial statements. In general, regulators permit ceding insurers to take credit for reinsurance in the following circumstances:

- if the reinsurer is licensed in the state in which the primary insurer is domiciled or, in some instances, in certain states in which the primary insurer is licensed;

- if the reinsurer is an "accredited" or otherwise approved reinsurer in the state in which the primary insurer is domiciled or, in some instances, in certain states in which the primary insurer is licensed;
- in some instances, if the reinsurer (a) is domiciled in a state that is deemed to have substantially similar credit for reinsurance standards as the state in which the primary insurer is domiciled and (b) meets certain financial requirements; or
- if none of the above apply, to the extent that the reinsurance obligations of the reinsurer are collateralized appropriately, typically through the posting of a letter of credit for the benefit of the primary insurer or the deposit of assets into a trust fund established for the benefit of the primary insurer.

As alien companies, our Bermuda insurers collateralize their reinsurance obligations to U.S. insurance companies. With some exceptions, the sale of insurance or reinsurance from within a jurisdiction where the insurer is not admitted to do business is prohibited. Neither Renaissance Reinsurance nor DaVinci intend to maintain an office or to solicit, advertise, settle claims or conduct other insurance activities in any jurisdiction other than Bermuda where the conduct of such activities would require that each company be so admitted.

Excess and Surplus Lines Regulation. Glencoe and Lantana, both domiciled in Bermuda, are not licensed in the U.S. but are eligible to offer coverage in the U.S. exclusively in the surplus lines market. Glencoe is eligible to write surplus lines primary insurance in 51 jurisdictions of the U.S. and is subject to the surplus lines regulation and reporting requirements of those jurisdictions. Lantana is currently eligible as a surplus lines insurer in 50 jurisdictions of the U.S., and is subject to the surplus lines regulation and reporting requirements of those jurisdictions. In accordance with certain provisions of the National Association of Insurance Commissioners ("NAIC") Nonadmitted Insurance Model Act, which provisions have been adopted by a number of states, Glencoe and Lantana have each established, and are required to maintain, a trust funded to a minimum amount as a condition of its status as an eligible, non-admitted insurer in the U.S.

The regulation of surplus lines insurance differs significantly from the licensed or "admitted" market. The regulations governing the surplus lines market have been designed to facilitate the procurement of coverage, through specially licensed surplus lines brokers, for hard-to-place risks that do not fit standard underwriting criteria and are otherwise eligible to be written on a surplus lines basis. Most particularly, surplus lines regulation generally provides for more flexible rules relating to insurance rates and forms. However, strict regulations apply to surplus lines placements under the laws of every state, and state insurance regulations generally require that a risk must be declined by three admitted carriers before it may be placed in the surplus lines market. Initial eligibility requirements and annual requalification standards apply to insurance carriers writing on a surplus basis and filing obligations must also be met. In most states, surplus lines brokers are responsible for collecting and remitting the surplus lines tax payable to the state where the risk is located. Companies such as Glencoe and Lantana which conduct business on a surplus lines basis in a particular state are generally exempt from that state's guaranty fund laws.

Admitted Market Regulation. Our admitted U.S. operations currently consist of Stonington and Stonington Lloyd's Insurance Company ("Stonington Lloyd's"), both Texas domiciled insurers. In addition, our subsidiary Newstead Insurance Company ("Newstead") was recently approved for admission as a Delaware domiciled insurer, although Newstead has not yet conducted any business. As licensed insurers operating in the "admitted" market, these companies are subject to extensive regulation under U.S. statutes. The extent of regulation varies from state to state but generally has its source in statutes that delegate regulatory, supervisory and administrative authority to a department of insurance in each state. Among other things, state insurance commissioners regulate insurer solvency standards, insurer licensing, authorized investments, premium rates, restrictions on the size of risks that may be insured under a single policy, loss and expense reserves and provisions for unearned premiums, deposits of securities for the benefit of policyholders, policy form approval, policy renewals and non-renewals, and market conduct regulation including both underwriting and claims practices. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and quarterly financial reports. The Texas Department of Insurance retains primary regulatory authority for Stonington and Stonington Lloyd's and the Delaware Department of Insurance does so for Newstead.

In general, licensed U.S. insurers such as Stonington and Stonington Lloyd's must file with the state departments of insurance where they insure risks all rates for directly underwritten insurance. Licensed U.S. insurers are required to participate in the guaranty associations of the states where they conduct business. Such participation can result in assessments, up to prescribed limits, for losses incurred by policyholders as a result of the impairment or insolvency of unaffiliated insurance companies. Additionally, some states require licensed insurers to participate in assigned risk plans which provide coverage for automobile insurance and other lines for insureds that are unable to obtain insurance in the open market. Participation in assigned risk pools may take the form of reinsuring a portion of a pool of policies or directly issuing policies to insureds. An insurer's participation in these plans is typically calculated based on the amount of premium written by the insurer on a voluntary basis for that line of coverage in a prior year. Assigned risk pools generally produce losses which result in assessments to insurers writing the same lines on a voluntary basis. We do not expect the amount of any such guaranty fund assessments, if any, or other assessments to be paid by us in 2005 to be material.

Holding Company Regulation. We and our U.S. insurance subsidiaries are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require an insurance holding company, and insurers that are subsidiaries of insurance holding companies, to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their capital structure, ownership, financial condition, certain intercompany transactions and general business operations.

Further, in order to protect insurance company solvency, state insurance statutes typically place limitations on the amount of dividends or other distributions payable by insurance companies. Texas, Stonington's and Stonington Lloyd's state of domicile, currently requires that dividends be paid only out of earned statutory surplus and limits the annual amount of dividends payable without the prior approval of the Texas Insurance Department to the greater of 10% of statutory capital and surplus at the end of the previous calendar year or 100% of statutory net income from operations for the previous calendar year. Because of the accumulated deficit in earned surplus from prior operations, Stonington currently cannot pay an ordinary dividend. These insurance holding company laws also impose prior approval requirements for certain transactions with affiliates. In addition, as a result of our ownership of Stonington, under the terms of applicable state statutes, any person or entity desiring to purchase more than 10% of our outstanding voting securities is required to obtain prior regulatory approval for the purchase.

Terrorism. On November 26, 2002, the President of the U.S. signed into law the Terrorism Risk Insurance Act of 2002 ("TRIA"), providing that through 2005, the federal government will share with the insurance industry the risk of loss from future terrorist attacks. Each participating insurance company must pay covered losses equal to a deductible based on a percentage of direct earned premiums for commercial insurance lines from the previous calendar year. The deductible ranges from 1.0% on the date of enactment to 15.0% in 2005. For losses in excess of a company's deductible, the federal government will cover 90.0% of the excess losses, while companies retain the remaining 10.0%. Losses covered by the program will be capped annually at $100.0 billion.

Primary insurance companies providing commercial property and casualty insurance in the U.S., such as Stonington, Stonington Lloyd's, Glencoe and Lantana, are required to participate in the TRIA program. TRIA also requires that subject insurers comply with mandatory offer requirements for terrorism coverage. These offers may be rejected by insureds. The Secretary of the Department of the Treasury extended this offer requirement until December 31, 2005. TRIA generally does not purport to govern the obligations of reinsurers, such as Renaissance Reinsurance and DaVinci, under reinsurance contracts. Unless extended by Congress, the TRIA program expires December 31, 2005. There is substantial uncertainty as to whether Congress will extend the program beyond its scheduled expiration in 2005, and it is possible that the non-renewal of TRIA could adversely affect the industry.

NAIC Ratios. The NAIC has established 11 financial ratios to assist state insurance departments in their oversight of the financial condition of licensed U.S. insurance companies operating in their respective states. The NAIC's Insurance Regulatory Information System ("IRIS") calculates these ratios based on information submitted by insurers on an annual basis and shares the information with the applicable state insurance departments. Generally, an insurance company will be subject to regulatory scrutiny if it falls outside the usual ranges with respect to four or more of the ratios.

Codification of Statutory Accounting Principles. In their ongoing effort to improve solvency regulations, the NAIC and individual states have enacted certain laws and statutory financial statement reporting requirements. These regulatory initiatives, and the overall focus on solvency, may intensify the restructuring and consolidation of the insurance industry. We believe we will be adequately positioned to compete in an environment of more stringent regulation.

Risk-Based Capital. The NAIC has implemented a risk-based capital ("RBC") formula and model law applicable to all licensed U.S. property/casualty insurance companies. The RBC formula is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. Such analysis permits regulators to identify inadequately capitalized insurers. The RBC formula develops a risk adjusted target level of statutory capital by applying certain factors to insurers' business risks such as asset risk, underwriting risk, credit risk and off-balance sheet risk. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The Gramm-Leach-Bliley Act. The Gramm-Leach-Bliley Act of 1999 ("GLBA") permits mergers that combine commercial banks, insurers and securities firms under one holding company, a "financial holding company." Until passage of the GLBA, the Glass-Steagall Act of 1933, as amended, had limited the ability of banks to engage in securities-related businesses, and the Bank Holding Company Act of 1956, as amended, had restricted banks from being affiliated with insurers. As a result of GLBA, the ability of banks to affiliate with insurers may affect our U.S. subsidiaries' product lines by substantially increasing the number, size and financial strength of potential competitors. Privacy provisions of GLBA became fully effective in 2001. These provisions established consumer protections regarding the security and confidentiality of nonpublic personal information and require full disclosure of the privacy policies of financial institutions, including U.S. insurers, to their consumer customers.

Legislative and Regulatory Proposals. Government intervention in the insurance and reinsurance markets, both in the U.S. and worldwide, continues to evolve. Federal and state legislators have considered numerous government initiatives. While we cannot predict the exact nature, timing, or scope of other such proposals, if adopted they could adversely affect our business by:

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providing government supported insurance and reinsurance capacity in markets and to consumers that we target;

- requiring our participation in pools and guaranty associations;
- regulating the terms of insurance and reinsurance policies;

- impacting producer compensation; or
- disproportionately benefiting the companies of one country over those of another.

In addition, the expansion of our primary insurance operations, together with the potential of further expansion into additional insurance markets, could expose us or our subsidiaries to increasing regulatory oversight. However, we intend to continue to conduct our operations so as to minimize the likelihood that Renaissance Reinsurance, DaVinci, Top Layer, Lantana or Glencoe will become subject to U.S. regulation.

RISK FACTORS

Factors that could cause our actual results to differ materially from those in the forward-looking statements contained in this Form 10-K and other documents we file with the SEC include the following:

Our exposure to catastrophic events could cause our financial results to vary significantly from one period to the next.

Our largest product is property catastrophe reinsurance. We also sell lines of specialty reinsurance and certain individual risk products that are also exposed to catastrophe risk. We therefore have a large overall exposure to natural and man-made disasters, such as earthquakes, hurricanes, tsunamis, winter storms, freezes, floods, fires, tornados and other natural or man-made disasters, such as acts of terrorism. As a result, our operating results have historically been, and we expect will continue to be, significantly affected by relatively few events of large magnitude.

Claims from catastrophic events could cause substantial volatility in our financial results for any fiscal quarter or year and adversely affect our financial condition or results of operations. Our ability to write new business could also be impacted. We believe that increases in the value and geographic concentration of insured property and the effects of inflation will increase the severity of claims from catastrophic events in the future.

From time to time, we may have greater exposures in some geographic areas than our overall share of the worldwide market would suggest. Accordingly, if catastrophes were to occur in these areas, we could experience worse results than our competitors.

We may fail to execute our growth strategy, which would impair our future financial results.

Historically, our principal product has been property catastrophe reinsurance. Our growth in our specialty reinsurance and Individual Risk lines of business presents us with new and expanded challenges and risks which we may not manage successfully. We are not as experienced in these expanded lines of business as we are in property catastrophe reinsurance; in particular, we are continuing to expand our claim management function to support these new lines of business. Businesses in early stages of development present substantial business, financial and operational risks and may suffer significant losses. For example, in our newer businesses we are seeking to develop client and customer relationships, build operating procedures, hire staff, install management information and other systems, as well as taking numerous other steps to implement our strategies. Our specialty reinsurance and Individual Risk businesses will require us to develop new expertise in areas such as contract and policy wordings and claims management.

If we fail to continue to develop the necessary infrastructure, or otherwise fail to execute our strategy, our results from these new lines of business will likely suffer, perhaps substantially, and our future financial results may be adversely affected.

This recent and planned future expansion has placed increased demands on our financial, managerial and human resources. For example, we may need to attract additional professionals to, or expand our facilities in, Bermuda, a small jurisdiction with limited resources. To the extent we are unable to attract additional professionals, our financial, managerial and human resources may be strained. The growth in our staff and infrastructure also creates more managerial responsibilities for our current senior executives, potentially diverting their attention from the underwriting and business origination

functions for which they are also responsible. Our future profitability depends in part on our ability to further develop our resources and effectively manage this expansion. Our inability to achieve such development or effective management may impair our future financial results.

Our utilization of program managers and other third parties to support our business exposes us to operational and financial risks.

Our Individual Risk operations rely on program managers, and other agents and brokers participating in our programs, to produce and service a substantial portion of our operations in this segment. In these arrangements, we typically grant the program manager the right to bind us to newly issued insurance policies, subject to underwriting guidelines we provide and other contractual restrictions and obligations. Should our managers issue policies that contravene these guidelines, restrictions or obligations, we could nonetheless be deemed liable for such policies. Although we would intend to resist claims that exceed or expand on our underwriting intention, it is possible that we would not prevail in such an action, or that our program manager would be unable to substantially indemnify us for their contractual breach. We also rely on our managers, or other third parties we retain, to collect premiums and to pay valid claims. This exposes us to their credit and operational risk, without necessarily relieving us of our obligations to potential insureds. We could also be exposed to potential liabilities relating to the claims practices of the third party administrators we have retained to manage substantially all of the claims activity that we expect to arise in our program operations. Although we have implemented monitoring and other oversight protocols, we cannot assure you that these measures will be sufficient to mitigate all of these exposures.

We are also subject to the risk that our successful program managers will not renew their programs with us. Our contracts are generally for defined terms of as little as one year, and either party can cancel the contract in a relatively short period of time. While we believe our arrangements offer numerous benefits to our program participants, we cannot assure you we will retain the programs that produce profitable business or that our insureds will renew with us. Failure to retain or replace these producers would impair our ability to execute our growth strategy, and our financial results could be adversely affected.

We could face unanticipated losses from war, terrorism and political unrest, and these or other unanticipated losses could have a material adverse effect on our financial condition and results of operations.

We may have substantial exposure to unexpected, large losses resulting from future man-made catastrophic events, such as acts of war, acts of terrorism and political instability, or from other perils. These risks are inherently unpredictable, and future periods may evidence increased frequency and severity of losses resulting from these catastrophic events. It is difficult to predict the timing of such events with statistical certainty or to estimate the amount of loss any given occurrence will generate. Although we believe our risk management systems are effective in helping us to understand and manage our aggregate risk portfolio, it is possible that our models have not adequately captured some catastrophe risks or other risks. We believe it is impossible to eliminate completely our exposure to unforeseen or unpredictable events.

With respect to our reinsurance operations we do not separately evaluate each of the individual risks assumed under our reinsurance contracts and, accordingly, like other reinsurers, are heavily dependent on the original underwriting decisions made by our ceding companies. We are therefore subject to the risk that our clients may not have adequately evaluated the risks to be reinsured, or that the premiums ceded to us will not adequately compensate us for the risks we assume. Likewise, in our individual risk operations we are dependent on information provided by third parties, such as our program managers, claims administrators, and quota share cedants.

U.S. government authorities are continuing to investigate non-traditional, or loss mitigation, (re)insurance products, as well as our restatement of our financial statements.

We recently received subpoenas from the SEC and from the Office of the Attorney General of the State of New York, each of which relates to the industry-wide investigation into non-traditional, or loss mitigation, (re)insurance products. The subpoena from the SEC also relates to our business

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practice review and to our determination to restate our financial statements. See "Business—Recent Developments" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Restatement of Financial Statements." We intend to cooperate with the SEC and the New York Attorney General in their ongoing investigations.

While these government investigations are presently at a preliminary stage and we are unable to predict the ultimate impact, if any, they may have on our business, it is possible that the investigations may result in penalties or require remediation which may be adverse to us, perhaps materially so. The government authorities may also identify new issues, or make additional findings that we are currently unable to predict, which may give rise to an adverse impact on our business or financial statements. In general, we are unable to foresee all of the consequences of the government investigations.

Following our announcement that we planned to restate our financial statements, S&P placed on CreditWatch with negative implications each of the counterparty credit, senior debt, and preferred stock ratings of the Company; the counterparty credit and financial strength ratings on Renaissance Reinsurance; and the counterparty credit and financial strength ratings on DaVinci. In addition, A.M. Best placed under review with negative implications the issuer credit ratings of the senior debt, preferred stock and capital securities of the Company, and also the financial strength ratings of the insurance and reinsurance subsidiaries of the Company. Further, Moody's revised from "stable" to "negative" the outlook for each of the insurance financial strength rating of Renaissance Reinsurance, and the senior debt, preferred stock and capital securities ratings of the Company.

Heightened scrutiny of issues and practices in the insurance industry may adversely affect our business.

The SEC, the New York Attorney General, and other government authorities are scrutinizing and investigating a number of issues and practices within the insurance industry. It is possible that these investigations or related regulatory developments will mandate or otherwise give rise to changes in industry practices in a fashion that increases our costs or requires us to alter how we conduct our business.

Because we frequently assume the credit risk of the brokers with whom we do business throughout our insurance and reinsurance operations, our results of operations could be adversely affected if the credit quality of these brokers is severely impacted by the current investigations in the insurance industry or by changes to broker industry practices.

Our claims and claim expense reserves are subject to inherent uncertainties.

Our claims and claim expense reserves reflect our estimates using actuarial and statistical projections at a given point in time, and our expectations of the ultimate settlement and administration costs of claims incurred. Although we use actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, we also rely heavily on management's experience and management's judgment to assist in the establishment of appropriate claim reserves. However, because of the many assumptions and estimates involved in establishing reserves, the reserving process is inherently uncertain.

Our growing casualty business is expected to produce claims which frequently can only be resolved through lengthy and unpredictable litigation. The measures required to resolve such claims, including the adjudication process, present more reserve challenges than non-casualty property losses (the latter of which tend to be reported comparatively more promptly and to be settled within a relatively shorter period of time). For both our growing casualty business, and our traditional property catastrophe business, actual net claims and claim expenses paid may deviate, perhaps substantially, from the reserve estimates reflected in our financial statements.

We expect that some of our assumptions or estimates will prove to be inaccurate, and our actual net claims and claim expenses paid to differ, perhaps substantially, from the reserve estimates reflected in our financial statements. To the extent that our actual claims and claim expenses exceed our expectations, we would be required to increase claims and claim expense reserves. This would reduce our net income by a corresponding amount in the period in which the deficiency is identified. In reserving for our specialty reinsurance and Individual Risk coverages we do not have the benefit of a significant amount of our own historical experience in these lines.

Unlike the claims and claim expense reserves of U.S. insurers, the claims and claim expense reserves established by our Bermuda companies are not regularly examined by insurance regulators.

Emerging claim and coverage issues could adversely affect our business.

Unanticipated developments in the law as well as changes in social and environmental conditions could potentially result in unexpected claims for coverage under our insurance and reinsurance contracts. These developments and changes may adversely affect us, perhaps materially. For example, we could be subject to developments that impose additional coverage obligations on us beyond our underwriting intent, or to increases in the number or size of claims to which we are subject. With respect to our casualty businesses, these legal, social and environmental changes may not become apparent until some time after their occurrence. Our exposure to these uncertainties could be exacerbated by the increased willingness of some market participants to dispute insurance and reinsurance contract and policy wordings. The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. As a result, the full extent of our liability under our coverages, and in particular our casualty reinsurance contracts, may not be known for many years after a contract is issued. Our exposure to this uncertainty will grow as our "long-tail" casualty businesses grow, because in these lines claims can typically be made for many years, making them more susceptible to these trends than our traditional catastrophe business, which is typically more "short-tail." In addition, we could be adversely affected by the growing trend of plaintiffs targeting participants in the property-liability insurance industry in purported class action litigation relating to claim handling and other practices. Although we are seeking to add professional staff and systems to improve our contracts and claims capabilities, we may fail to mitigate our exposure to these growing uncertainties.

Pricing and terms for our products may decline, which could affect our profitability.

Supply and demand for reinsurance and insurance depends on numerous factors, including the frequency and severity of catastrophic events, perceptions of risk, levels of capacity, general economic conditions and underwriting results of other insurers and reinsurers. All of these factors fluctuate and may contribute to price declines generally in the reinsurance and insurance industries. Industry pricing has degraded in 2004, and less catastrophe reinsurance business has met our hurdle rates than in prior years. We expect premium rates and other terms and conditions of trade to vary in the future, and currently believe that overall industry pricing for many of our products will decline in 2005. If demand for our products falls or the supply of competing capacity rises, we expect our growth to be adversely affected, and our profitability could be affected as well. In particular, we might lose existing customers or decline new business, which we might not regain when industry conditions improve.

We operate in a highly competitive environment.

The reinsurance industry is highly competitive. We compete, and will continue to compete, with major U.S. and non-U.S. insurers and property catastrophe reinsurers, including other Bermuda-based property catastrophe reinsurers. Market participants continue to accumulate new capital, thereby strengthening their ability to compete. In addition, hedge funds are increasing the overall capacity in the industry. Increased capacity levels have led to increased competition and have contributed to declines in overall industry pricing levels.

We believe that our principal competitors in the property catastrophe reinsurance market include other companies active in the Bermuda market, including Ace Limited, Everest Re Group Ltd., IPC Holdings, Ltd., PartnerRe Ltd. and XL Capital Ltd. We also compete with certain Lloyd's syndicates active in the London market, as well as with a number of other industry participants, such as American International Group, Inc., Berkshire Hathaway, Munich Re Group and Swiss Re. In addition, there are other relatively new Bermuda reinsurers with whom we compete, such as Allied World Assurance Company, Arch Capital Group, Axis Capital Holdings, Endurance Specialty Holdings, Montpelier Re Holdings and Platinum. As our business evolves over time we expect our competitors to change as well.

Many of our competitors have greater financial, marketing and management resources than we do. In addition, we may not be aware of other companies that may be planning to enter the property

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catastrophe reinsurance market or of existing companies which may be planning to raise additional capital. We also have recently seen the creation of alternative products from capital market participants that are intended to compete with reinsurance products and which could impact the demand for traditional catastrophe reinsurance, as well as increased competitive activities from hedge funds. We cannot predict what effect any of these developments may have on our businesses.

The businesses in which our Individual Risk unit operates are also highly competitive. Primary insurers compete on the basis of factors including distribution channels, product, price, service and financial strength. Many of our primary insurance competitors are larger and more established than we are and have greater financial resources and consumer recognition. We seek primary insurance pricing that will result in adequate returns on the capital allocated to our primary insurance business. We may lose primary insurance business to competitors offering competitive insurance products at lower prices.

Bermuda could be subject to sanctions by a number of multinational organizations which could adversely affect Bermuda companies.

A number of multinational organizations, including the European Union, the Organization for Economic Cooperation and Development ("OECD"), including its Financial Action Task Force, and the Financial Stability Forum, have identified certain countries as blocking information exchange, engaging in harmful tax competition or not maintaining adequate controls to prevent corruption, such as money laundering activities. Recommendations to limit such harmful practices are under consideration by these organizations, and a report published on November 27, 2001 by the OECD contains an extensive discussion of specific recommendations. The OECD has threatened non-member jurisdictions that do not agree to cooperate with the OECD with punitive sanctions by OECD member countries. It is unclear what these sanctions will be and if they will be imposed. Bermuda has committed to a course of action to enable compliance with the requirements of these multinational organizations, including signing a letter committing itself to eliminate harmful tax practices by the end of 2005 and to embrace international tax standards for transparency, exchange of information and the elimination of any aspects of the regimes for financial and other services that attract business with no substantial domestic activity. However, the action taken by Bermuda may not be sufficient to preclude all effects of the measures or sanctions described above, which if ultimately adopted could adversely affect Bermuda companies such as us and our Bermuda based subsidiaries.

Political, regulatory and industry initiatives could adversely affect our business.

The insurance and reinsurance regulatory framework is subject to heavy scrutiny by the U.S. and individual state governments as well as an increasing number of international authorities. Government regulators are generally concerned with the protection of policyholders to the exclusion of other constituencies, including shareholders. Increasingly, governmental authorities in both the U.S. and worldwide seem to us to be interested in the potential risks posed by the reinsurance industry as a whole, and to commercial and financial systems in general. While we do not believe these inquiries have identified meaningful new risks posed by the reinsurance industry to the financial system or to policyholders, and we cannot predict the exact nature, timing or scope of possible governmental initiatives, we believe it is likely there will be increased regulatory intervention in our industry in the future.

For example, we could be adversely affected by proposals to:

- provide insurance and reinsurance capacity in markets and to consumers that we target;
- require our participation in industry pools and guaranty associations;
- increasingly mandate the terms of insurance and reinsurance policies; or
- disproportionately benefit the companies of one country over those of another.

The growth of our primary insurance business, which is regulated more comprehensively than reinsurance, increases our exposure to adverse political, judicial and legal developments. Moreover, our exposure to potential regulatory initiatives could be heightened by the fact that our principal operating companies are domiciled in, and operate exclusively from, Bermuda. For example, Bermuda, a small jurisdiction, may be disadvantaged in participating in global or cross border regulatory matters as compared with larger jurisdictions such as the U.S. or the leading European Union countries. In addition, Bermuda, which is currently an overseas territory of the United Kingdom ("U.K."), may consider changes to its relationship with the U.K. in the future. These changes could adversely affect Bermuda's position in respect of future regulatory initiatives, which could impact us commercially.

A decline in our investment performance could reduce our profitability.

We derive a significant portion of our income from our invested assets. As a result, our financial results depend in part on the performance of our investment portfolio, which contains fixed maturity securities, such as bonds and mortgage-backed securities. Our operating results are subject to a variety of investment risks, including risks relating to general economic conditions, market volatility, interest rate fluctuations, foreign currency risk, liquidity risk and credit and default risk. Additionally, with respect to certain of our investments, we are subject to pre-payment or reinvestment risk.

The market value of our fixed maturity investments will be subject to fluctuation depending on changes in various factors, including prevailing interest rates. As a result of large reinsurance or insurance losses, we may be forced to liquidate our investments at times and prices that are not optimal, which could have a material adverse effect on the performance of our investment portfolio.

Increases in interest rates could cause the market value of our investment portfolio to decrease, perhaps substantially. Conversely, a decline in interest rates could reduce our investment yield, which would reduce our overall profitability. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Any measures we take that are intended to manage the risks of operating in a changing interest rate environment may not effectively mitigate such interest rate sensitivity.

In recent years we have increased our allocation to other investments which have different risk characteristics than our traditional fixed maturity securities and short-term investment portfolios. These other investments include hedge fund investments, a fund that invests in senior secured bank loans, a European high yield credit fund and private equity partnerships. Also included in other investments are investments in a medium term note, representing an interest in a pool of European fixed income securities, a non-U.S. dollar convertible fund and miscellaneous other investments. Our percentage allocation to these other investments will likely increase. The performance of these other investments had a positive impact on the performance of our investment portfolio in 2004.

These other investments are recorded on our consolidated balance sheet at fair value. The fair value of certain of these investments is generally established on the basis of the net valuation criteria established by the managers of such investments. These net valuations are determined based upon the valuation criteria established by the governing documents of the investments. Due to a lag in the valuations reported by the fund managers, the majority of our other investments are reported on a one month or one quarter lag. Such valuations may differ significantly from the values that would have been used had ready markets existed for the shares, partnership interests or notes of the investments. Many of the 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. These investments expose us to market risks including interest rate risk, foreign currency risk, equity price risk and credit risk. We are unable to quantify these risks as we do not have timely access to the securities underlying each investment. To the extent these risks move against us it could result in a material adverse change to our investment performance. The performance of these investments is also dependent on the individual investment managers and the investment strategies. It is possible that the investment managers will leave and/or the investment strategies will become ineffective. The result of either of the foregoing would be a material adverse change to our investment performance.

U.S. taxing authorities could contend that our Bermuda subsidiaries are subject to U.S. corporate income tax.

If the U.S. Internal Revenue Service (the "IRS") were to contend successfully that Renaissance Reinsurance, Glencoe, DaVinci or Top Layer Re is engaged in a trade or business in the U.S., Renaissance Reinsurance, Glencoe, DaVinci or Top Layer Re would, to the extent not exempted from tax by the U.S.-Bermuda income tax treaty, be subject to U.S. corporate income tax on that portion of its net income treated as effectively connected with a U.S. trade or business, as well as the U.S. corporate branch profits tax. Although we would vigorously resist the imposition of any such tax, if we were ultimately held to be subject to this taxation, our earnings would correspondingly decline.

In addition, benefits of the U.S.-Bermuda income tax treaty which may limit any such tax to income attributable to a permanent establishment maintained by Renaissance Reinsurance, Glencoe, DaVinci or Top Layer Re in the U.S. are only available to any of Renaissance Reinsurance, Glencoe, DaVinci or Top Layer Re if more than 50% of its shares are beneficially owned, directly or indirectly, by individuals who are Bermuda residents or U.S. citizens or residents. Renaissance Reinsurance, Glencoe, DaVinci or Top Layer Re may not be able to continually satisfy such beneficial ownership test or be able to establish its satisfaction to the IRS. Finally, it should be noted that it is unclear whether the income tax treaty (assuming satisfaction of the beneficial ownership test) applies to income other than premium income, such as investment income.

Because we depend on a few reinsurance brokers for a large portion of revenue, loss of business provided by them could adversely affect us.

We market our reinsurance products worldwide exclusively through reinsurance brokers. Four brokerage firms accounted for 82.2%, 80.4% and 71.1%, respectively, of our net premiums written for the years ended December 31, 2004, 2003 and 2002. Subsidiaries and affiliates of Marsh Inc., the Benfield Group Limited, the Willis Group and AON Corporation accounted for approximately 27.2%, 25.1%, 17.2% and 12.7%, respectively, of our Reinsurance segment gross written premiums in 2004. The loss of all or a substantial portion of the business provided by these brokers could have a material adverse effect on us. Our ability to market our products could decline as a result of any loss of the business provided by these brokers and it is possible that our premiums written would decrease.

Our reliance on reinsurance brokers exposes us to their credit risk.

In accordance with industry practice, we pay virtually all amounts owed on claims under our policies to reinsurance brokers, and these brokers, in turn, pay these amounts over to the insurers that have reinsured a portion of their liabilities with us (we refer to these insurers as ceding insurers). Likewise, premiums paid by ceding insurers are paid to brokers, who then pass such amounts on to us. In many jurisdictions, if a broker were to fail to make such a payment to a ceding insurer, we would remain liable to the ceding insurer for the deficiency. Conversely, in many jurisdictions, when the ceding insurer pays premiums for these policies to reinsurance brokers for payment over to us, these premiums are considered to have been paid and the ceding insurer will no longer be liable to us for those amounts, whether or not we have actually received the premiums. Consequently, in connection with the settlement of reinsurance balances, we assume a degree of credit risk associated with brokers around the world. Due to recent developments in the industry, we believe that the degree of this credit risk has increased.

A decline in the ratings assigned to our financial strength would adversely impact our business.

Third party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Renaissance Reinsurance, our Glencoe Group carriers, Top Layer Re and DaVinci. These ratings are based upon criteria established by the rating agencies. Periodically the rating agencies evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. The financial strength ratings assigned by rating agencies to reinsurance or insurance companies are based upon factors relevant to policyholders and are not directed toward the protection of investors. Recently, certain rating agencies have placed us on credit watch with negative implications in connection with our restatement of our financial results for the years ended December 31, 2001, 2002 and 2003. See "Business—Recent Developments."

39

The rating agencies may downgrade or withdraw their financial strength ratings in the future if we do not continue to meet the criteria of the ratings previously assigned to us. Our ability to compete with other reinsurers and insurers, and our results of operations, could be materially adversely affected by any such ratings downgrade. For example, following a ratings downgrade we might lose clients to more highly rated competitors or retain a lower share of the business of our clients. The rating of Top Layer Re is dependent in large part upon the rating of State Farm, who provides Top Layer Re with $3.9 billion of stop loss reinsurance.

As is customary in our industry, a portion of our reinsurance policies provide our clients with the right to cancel or not renew our policies in the event our financial strength ratings are downgraded. We cannot precisely estimate the amount of premium that would be at risk to this development, as this amount depends on the particular facts and circumstances at the time, including the degree of the downgrade, the time elapsed on the impacted in-force policies, and the effects of any related catastrophic event on the industry generally. In the event any of these provisions are triggered, we will vigorously seek to retain our clients. However, we cannot assure you that our premiums would not decline, perhaps materially, following a ratings downgrade.

We could be adversely affected if TRIA is not renewed.

In response to the tightening of supply in certain insurance and reinsurance markets resulting from, among other things, the September 11th tragedy, TRIA was enacted to ensure the availability of commercial insurance coverage for terrorist acts in the U.S. This law established a federal assistance program through the end of 2005 to help the commercial property and casualty insurance industry cover claims related to future terrorism related losses and required that coverage for terrorist acts be offered by insurers. It is possible that TRIA will not be renewed following 2005, or could be adversely amended, which could adversely affect the insurance industry if a material subsequent event occurred. Given these uncertainties, we are currently unable to determine with certainty the impact that TRIA's non-renewal could have on us.

The covenants in our debt agreements limit our financial and operational flexibility, which could have an adverse effect on our financial condition.

We have incurred indebtedness, and may incur additional indebtedness in the future. At December 31, 2004, we had an aggregate of approximately $350 million of indebtedness outstanding, consisting of $100 million of 5.875% Senior Notes due 2013, $150 million of 7.0% Senior Notes due 2008 and a $100 million bank loan incurred and fully drawn by our consolidated subsidiary, DaVinciRe Holdings Ltd. ("DaVinciRe"). RenaissanceRe is also party to a $500 million syndicated revolving credit agreement, none of which was drawn at December 31, 2004.

In addition, we have issued $100 million aggregate liquidation amount of mandatorily redeemable capital securities ("Capital Securities") through the Capital Trust holding solely $103.1 million of the Company's 8.54% junior subordinated debentures due March 1, 2027. Because we hold $15.4 million of these securities and also hold $3.1 million of equity interest in the Capital Trust, our net obligation is $84.6 million.

Our insurance and reinsurance subsidiaries maintain letter of credit facilities in connection with their insurance and reinsurance business. The largest of these is a secured letter of credit facility established under a reimbursement agreement entered into by certain of RenaissanceRe's subsidiaries and affiliates. The obligations of each of RenaissanceRe's subsidiaries and affiliates party to the reimbursement agreement are secured by certain collateral, including cash, eligible high-quality marketable securities and redeemable preference shares of RIHL. The facility currently is in the amount of $850 million. The term of the reimbursement agreement was extended to April 30, 2005 in November 2004 and in March 2005, the reimbursement agreement was amended to conform certain default provisions of the agreement to comparable provisions in existing credit agreements of the Company and DaVinciRe. At December 31, 2004, the aggregate face amount of letters of credit outstanding under the reimbursement agreement was $548.4 million and total letters of credit outstanding was $670.6 million.

The agreements covering our indebtedness, particularly our bank loans, contain numerous covenants that limit our ability, among other things, to borrow money, make particular types of investments or

other restricted payments, sell assets, merge or consolidate. These agreements also require us to maintain specific financial ratios. If we fail to comply with these covenants or meet these financial ratios, the lenders under our credit facilities could declare a default and demand immediate repayment of all amounts owed to them, cancel their commitments to lend or issue letters of credit, or both, and require us to pledge additional or a different type of collateral.

In addition, if we are in default under the junior subordinated debentures, discussed above, or if we have given notice of our intention to defer our related payment obligations, the terms of our indebtedness would, among other things, restrict our ability to:

- declare or pay any dividends on our capital shares;
- redeem, purchase or acquire any capital shares; or
- make a liquidation payment with respect to our capital shares.

Because we are a holding company, we are dependent on dividends and payments from our subsidiaries.

As a holding company with no direct operations, we rely on investment income, cash dividends and other permitted payments from our subsidiaries to make principal and interest payments on our debt and to pay dividends to our shareholders. The holding company does not have any operations and from time to time may not have significant liquid assets. If our subsidiaries are restricted from paying dividends to us, we may be unable to pay dividends or to repay our indebtedness.

Bermuda law and regulations require our subsidiaries which are registered in Bermuda as insurers to maintain a minimum solvency margin and minimum liquidity ratio, and prohibit dividends that would result in a breach of these requirements. Further, Renaissance Reinsurance and DaVinci, as Class 4 insurers in Bermuda, may not pay dividends which would exceed 25% of their respective capital and surplus, unless they first make filings confirming that they meet the required margins. As Class 3 insurers, Glencoe, Lantana and Top Layer Re may not declare or pay dividends during any financial year that would cause Glencoe, Lantana or Top Layer Re (as the case may be) to fail to meet its minimum solvency margin and minimum liquidity ratio.

Generally, our U.S. insurance subsidiaries may only pay dividends out of earned surplus. Further, the amount payable without the prior approval of the applicable state insurance department is generally limited to the greater of 10% of policyholders' surplus or statutory capital, or 100% of the subsidiary's prior year statutory net income. Since our U.S. insurance subsidiaries' earned surplus is negative, these subsidiaries cannot currently pay dividends without the applicable state insurance department approval.

The loss of one or more key executive officers could adversely affect us.

Our success has depended, and will continue to depend, in substantial part upon our ability to attract and retain our executive officers. If we were to lose the services of members of our senior management team, our business could be adversely affected. For example, we might lose clients whose relationship depends in part on the service of a departing executive. In addition, the loss of services of members of our management team would strain our ability to execute our growth initiatives, as described above.

Our ability to execute our business strategy is dependent on our ability to attract and retain a staff of qualified underwriters and service personnel. The location of our global headquarters in Bermuda may impede our ability to recruit and retain highly skilled employees. We do not currently maintain key man life insurance policies with respect to any of our employees.

Under Bermuda law, non-Bermudians may not engage in any gainful occupation in Bermuda without the specific permission of the appropriate government authority. The Bermuda government will issue a work permit for a specific period of time, which may be extended upon showing that, after proper public advertisement, no Bermudian (or spouse of a Bermudian) is available who meets the minimum standards for the advertised position. Substantially all of our officers are working in Bermuda under work permits that will expire over the next three years. The Bermuda government could refuse to extend these work permits. In addition, a Bermuda government policy limits the duration of work

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permits to a total of six years, which is subject to certain exemptions only for key employees. If any of our senior executive officers were not permitted to remain in Bermuda, our operations could be disrupted and our financial performance could be adversely affected as a result.

Regulatory challenges in the U.S. or elsewhere to our Bermuda operations' claims of exemption from insurance regulation could restrict our ability to operate, increase our costs, or otherwise adversely impact us.

Renaissance Reinsurance, DaVinci and Top Layer Re are not licensed or admitted in any jurisdiction except Bermuda. Renaissance Reinsurance, Glencoe, DaVinci and Top Layer Re each conduct business only from their principal offices in Bermuda and do not maintain an office in the U.S. Recently, the insurance and reinsurance regulatory framework has been subject to increased scrutiny in many jurisdictions, including the U.S. and various states within the U.S. If our Bermuda insurance or reinsurance operations become subject to the insurance laws of any state in the U.S., we could face inquiries or challenges to the future operations of these companies.

Moreover, we could be put at a competitive disadvantage in the future with respect to competitors that are licensed and admitted in U.S. jurisdictions. Among other things, jurisdictions in the U.S. do not permit insurance companies to take credit for reinsurance obtained from unlicensed or non-admitted insurers on their statutory financial statements unless security is posted. Our contracts generally require us to post a letter of credit or provide other security after a reinsured reports a claim. In order to post these letters of credit, issuing banks generally require collateral. It is possible that European Union or other countries might adopt a similar regime in the future, or that the U.S. rules could be altered in a way that treats Bermuda disproportionately. Any such development could adversely affect us.

Glencoe and Lantana are currently eligible, non-admitted excess and surplus lines insurers in, respectively, 51 and 50 states and territories of the U.S. and are each subject to certain regulatory and reporting requirements of these states. However, neither Glencoe nor Lantana is admitted or licensed in any U.S. jurisdiction; moreover, Glencoe only conducts business from Bermuda. Accordingly, the scope of Glencoe's and Lantana's activities in the U.S. is limited, which could adversely affect their ability to compete.

In addition, Stonington, which writes insurance in all 50 states on an admitted basis, is subject to extensive regulation under state statutes which confer regulatory, supervisory and administrative powers on state insurance commissioners. Such regulation generally is designed to protect policyholders rather than investors, and relates to such matters as: rate setting; policy forms; limitations on dividends and transactions with affiliates; solvency standards which must be met and maintained; the licensing of insurers and their agents; the examination of the affairs of insurance companies, which includes periodic market conduct examinations by the regulatory authorities; annual and other reports, prepared on a statutory accounting basis; establishment and maintenance of reserves for unearned premiums and losses; and requirements regarding numerous other matters. We could be required to allocate considerable time and resources to comply with these requirements, and could be adversely affected if a regulatory authority believed we had failed to comply with applicable law or regulation. We plan to grow Stonington's business and, accordingly, expect our regulatory burden to increase.

Our growth plans could cause one or more of our subsidiaries to become subject to additional regulation in other jurisdictions. Any failure to comply with applicable laws could result in the imposition of significant restrictions on our ability to do business, and could also result in fines and other sanctions, any or all of which could adversely affect our financial results and operations.

Retrocessional reinsurance may become unavailable on acceptable terms.

In order to limit the effect of large and multiple losses upon our financial condition, we buy reinsurance for our own account. This type of insurance is known as "retrocessional reinsurance." Our primary insurance companies also buy reinsurance from third parties. A reinsurer's insolvency or inability to make payments under the terms of its reinsurance treaty with us could have a material adverse effect on us.

From time to time, market conditions have limited, and in some cases have prevented, insurers and reinsurers from obtaining the types and amounts of reinsurance, which they consider adequate for their business needs. Accordingly, we may not be able to obtain our desired amounts of retrocessional reinsurance. In addition, even if we are able to obtain such retrocessional reinsurance, we may not be able to negotiate terms as favorable to us as in the past. This could limit the amount of business we are willing to write, or decrease the protection available to us as a result of large loss events.

We may be adversely affected by foreign currency fluctuations.

Our functional currency is the U.S. dollar. A portion of our premium is written in currencies other than the U.S. dollar and a portion of our claims and claim expense reserves are also in non-dollar currencies. Moreover, we maintain a portion of our cash equivalent investments in currencies other than the U.S. dollar. Although we generally seek to hedge significant non-U.S. dollar positions, we may, from time to time, experience losses resulting solely from fluctuations in the values of these foreign currencies, which could cause our consolidated earnings to decrease. In addition, failure to manage our foreign currency exposures could cause our results to be more volatile.

Consolidation in the insurance industry could adversely impact us.

We believe that many insurance industry participants are seeking to consolidate. These consolidated entities may try to use their enhanced market power to negotiate price reductions for our products and services. If competitive pressures reduce our prices, we would expect to write less business. As the insurance industry consolidates, competition for customers will become more intense and the importance of acquiring and properly servicing each customer will become greater. We could incur greater expenses relating to customer acquisition and retention, further reducing our operating margins. In addition, insurance companies that merge may be able to spread their risks across a consolidated, larger capital base so that they require less reinsurance. We could also experience more robust competition from larger, better capitalized competitors.

We may encounter difficulties in maintaining the information technology systems necessary to run our business.

We believe our modeling, underwriting and information technology systems are critical to our business. Moreover, our proprietary technology has been an important part of our underwriting process and our ability to compete successfully. We have also licensed certain systems and data from third parties. We cannot be certain that we will also continue to have access to these, or comparable, service providers, or that our proprietary technology will continue to operate as intended. Our business growth strategy will require further development of our technology infrastructure, and any defect or error in our information technology systems could result in reduced or delayed revenue growth, higher than expected losses, management distraction, or harm to our reputation.

Some aspects of our corporate structure may discourage third party takeovers and other transactions or prevent the removal of our current board of directors and management.

Some provisions of our Memorandum of Association and of our Amended and Restated Bye-Laws have the effect of making more difficult or discouraging unsolicited takeover bids from third parties or preventing the removal of our current board of directors and management. In particular, our Bye-Laws prohibit transfers of our capital shares if the transfer would result in a person owning or controlling shares that constitute 9.9% or more of any class or series of our shares. The primary purpose of this restriction is to reduce the likelihood that we will be deemed a "controlled foreign corporation" within the meaning of the Internal Revenue Code for U.S. federal tax purposes. However, this limit may also have the effect of deterring purchases of large blocks of common shares or proposals to acquire us, even if some or a majority of our shareholders might deem these purchases or acquisition proposals to be in their best interests.

In addition, our Bye-Laws provide for:

- a classified Board, whose size is fixed and whose members may be removed by the shareholders only for cause upon a 66 2/3% vote;
- restrictions on the ability of shareholders to nominate persons to serve as directors, submit resolutions to a shareholder vote and requisition special general meetings;

- a large number of authorized but unissued shares which may be issued by the Board without further shareholder action; and
- a 66 2/3% shareholder vote to amend, repeal or adopt any provision inconsistent with several provisions of the Bye-Laws.

These Bye-Law provisions make it more difficult to acquire control of us by means of a tender offer, open market purchase, proxy contest or otherwise. These provisions are designed to encourage persons seeking to acquire control of us to negotiate with our directors, which we believe would generally best serve the interests of our shareholders. However, these provisions could have the effect of discouraging a prospective acquirer from making a tender offer or otherwise attempting to obtain control of us. In addition, these Bye-Law provisions could prevent the removal of our current board of directors and management. To the extent these provisions discourage takeover attempts, they could deprive shareholders of opportunities to realize takeover premiums for their shares or could depress the market price of the shares.

RenaissanceRe indirectly owns Stonington, Stonington Lloyd's and Newstead. Our ownership of a U.S. insurance company such as these can, under applicable state insurance company laws and regulations, delay or impede a change of control of RenaissanceRe. Under applicable state insurance regulations, any proposed purchase of 10% or more of our voting securities would require the prior approval of the relevant insurance regulatory authorities.

Investors may have difficulties in serving process or enforcing judgments against us in the U.S.

We are a Bermuda company. In addition, certain of our officers and directors reside in countries outside the U.S. All or a substantial portion of our assets and the assets of these officers and directors are or may be located outside the U.S. Investors may have difficulty effecting service of process within the U.S. on our directors and officers who reside outside the U.S. or to recover against us or these directors and officers on judgments of U.S. courts based on civil liabilities provisions of the U.S. federal securities laws whether or not we appoint an agent in the U.S. to receive service of process.

GLOSSARY OF SELECTED INSURANCE AND REINSURANCE TERMS

Accident year	Year of occurrence of a loss. Claim payments and reserves for claims and claim expenses are allocated to the year in which the loss occurred.
Acquisition expenses	The aggregate expenses incurred by a company acquiring new business, including commissions, underwriting expenses and administrative expenses.
Attachment point	The dollar amount of loss (per occurrence or in the aggregate, as the case may be) above which excess of loss reinsurance becomes operative.
Backup premiums written	The premiums written for additional reinsurance coverage purchased after a series of catastrophic events has exhausted or significantly reduced the initial and reinstatement limits available under the original

	coverages purchased.
Bordereau	A report providing premium or loss data with respect to identified specific risks. This report is periodically furnished to a reinsurer by the ceding insurers or reinsurers.
Broker	An intermediary who negotiates contracts of insurance or reinsurance, receiving a commission for placement and other services rendered, between (1) a policy holder and a primary insurer, on behalf of the insured party, (2) a primary insurer and reinsurer, on behalf of the primary insurer, or (3) a reinsurer and a retrocessionaire, on behalf of the reinsurer.