



# Letter to Shareholders

In 2010, RenaissanceRe achieved superior performance through disciplined execution.

## Dear Shareholders,

I am pleased with the financial results we achieved in 2010 despite the softening market conditions and significant catastrophic events that characterized the year. The Company achieved growth in tangible book value per share plus accumulated dividends – our most important metric for reflecting the value we create for shareholders – of 24%.

In addition to executing well in underwriting and capital management, our performance was aided by strong investment returns for the full year. We also benefited from favorable loss reserve development.

## Streamlining Our Company

In 2010 we examined our strengths and our opportunities as an organization. We re-evaluated who we are and what has made our Company unique. In the process we articulated our aspiration to be the world's best underwriter of low-frequency, high-severity risk. This delineated a pathway to emphasize those businesses most aligned with our objectives and highlighted our skills. It also dovetailed with our belief that, when adequately paid for the risks we assume, we can achieve superior profitability over time by excelling in a business that can produce uneven results from one year to the next.

With this identity in mind, we proceeded with confidence on several fronts. Our most far-reaching decision was to sell our U.S. admitted insurance operations. In November we announced a transaction with QBE Holdings, Inc., which included the sale of our U.S. property and casualty business, our commercial property insurance business, and the largest of our U.S.-based operations, our crop insurance business written through Agro National Inc.

We had invested significantly in developing Agro National and it performed well in 2010, but we believe the playing field in U.S. crop insurance is changing considerably. We believe that scale, as opposed to underwriting expertise, is increasingly important as the requisite ingredient to maximize profitability. We had to choose between growing and selling; we chose to sell.

Through the sale of our U.S.-based insurance operations, we also exited our U.S. program management business. Once again, our view was that our business was of insufficient scale to generate acceptable levels of profitability.

And by selling to one of the largest insurers in this business, we provided our operations and our colleagues working there an appropriate new home where they might have the opportunity to flourish.

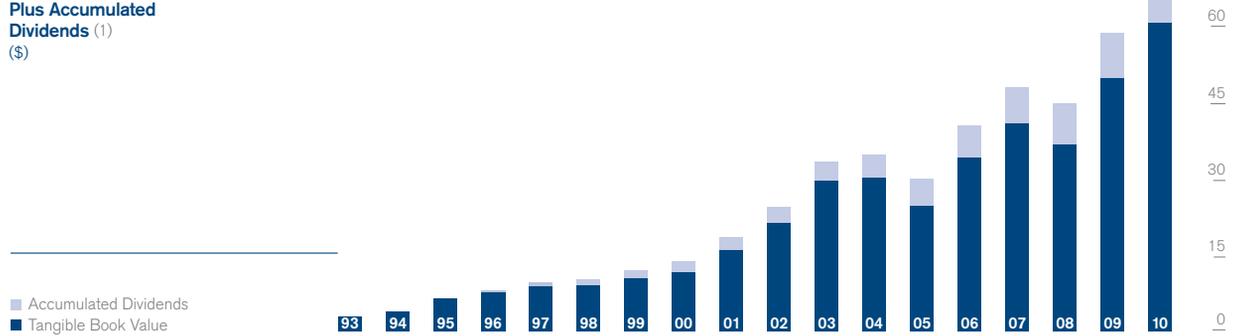
This decision resulted in the repositioning of our Company to be more nimble and sharply focused. We will continue to participate selectively in the U.S. insurance market through RenaissanceRe Syndicate 1458 at Lloyd's, by providing excess and surplus lines coverage on a non-admitted basis as opportunities arise. This is in keeping with our focus on providing coverage for low-frequency, high-severity exposures and gives us more rate flexibility than writing business on an admitted basis.

## Capital and Catastrophes

In 2010, the property catastrophe reinsurance landscape was dominated by excess capital and losses occurring outside of the U.S.

“Our careful preparation for renewals during the year and strong customer and broker relationships, coupled with disciplined risk assessment, enabled us to achieve an attractive portfolio of business going into 2011.”

**Tangible Book Value  
Per Common Share  
Plus Accumulated  
Dividends (1)**  
(\$)



(1) In this Annual Report, we refer to various non-GAAP measures, which are explained in the Comments on Regulation G on pages 21 and 22.

While the ready availability of capital led to further softening in the market, pricing remained generally acceptable as it came down from the higher levels of previous years. We remained disciplined, careful to assume only those risks for which we were being adequately compensated. As a result, despite our catastrophe premiums being approximately 9% lower than in 2009, we achieved a good overall return profile.

Early on in 2010, we had projected an increased frequency of Atlantic hurricanes, and indeed the year was one of the most active on record. Fortunately, none of these hurricanes made landfall in the U.S. – an unusual occurrence.

On the other hand, it was a relatively bad year for earthquakes around the world. Large seismic events in Chile and New Zealand caused considerable damage, while the Haitian earthquake, though largely uninsured, caused extensive loss of life. Events such as these remind us

of the relative unpredictability of earthquakes, which occur – unlike hurricanes – without warning or seasonality.

The Chilean earthquake was the largest non-U.S. insured event in many years, with losses to the industry estimated at approximately \$8 billion. For RenaissanceRe, exposure came largely through retrocessional coverage (reinsurance of other reinsurers). Although the losses were significant, they remained within our expectations for an event of that magnitude.

The New Zealand earthquake was different from the Chilean quake; it inflicted more residential than commercial damage, and the ultimate industry loss remains difficult to estimate.

Despite these events, we achieved good results for the year. Our careful preparation for renewals during the year and strong customer and broker relationships, coupled with

“We are confident RenaissanceRe Syndicate 1458 represents a long-term investment with strong potential.”

disciplined risk assessment, enabled us to achieve an attractive portfolio of business going into 2011.

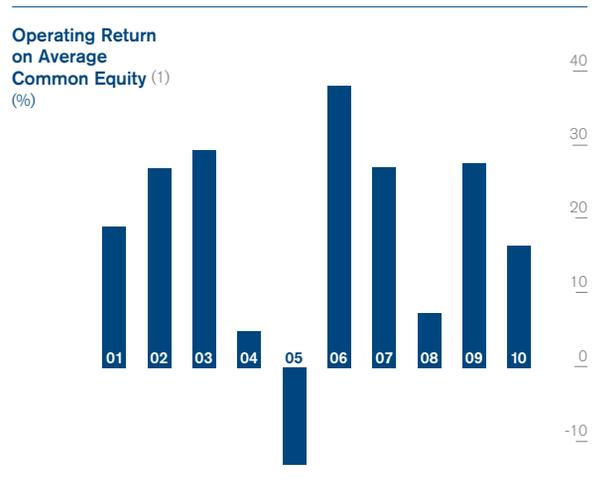
### Discipline and Groundwork

In specialty reinsurance, we maintained a diversified book of business but added risks cautiously due to the prevailing market environment. Some new opportunities emerged within the credit risk sector resulting from the financial crisis of 2008-09, and we also increased our participation in other lines of business with a view of developing our capabilities in these sectors for the future.

We continued to build our presence at Lloyd's through RenaissanceRe Syndicate 1458, which commenced operations in the fourth quarter of 2009. Ross Curtis, a member of our Executive Committee, moved from Bermuda to London to be the syndicate's Active Underwriter. While we expect its expenses to exceed revenue over the near term, we are confident RenaissanceRe Syndicate 1458 represents a long-term investment with strong potential. We have already been able to access business otherwise not presented to us in Bermuda as a result of the extensive distribution network and global licenses offered by Lloyd's, and have been successful in increasing the awareness of RenaissanceRe within the London market broker network.

### Value from Ventures

Our Ventures unit, which creates alternative means of providing reinsurance capacity for our customers, had a noteworthy year in all areas of its activity, including catastrophe reinsurance joint ventures, venture capital, and its RenRe Energy Advisors Ltd. (REAL) business.



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The DaVinci and Top Layer Re joint ventures that we manage provide alternative, highly-rated balance sheets to our customers. Although these entities were impacted by the global catastrophe activity, DaVinci registered another year of excellent profitability, achieving an ROE in excess of 15%. Top Layer Re, which specializes in providing high layer coverage to insurance companies with risks located outside of the U.S., saw its first loss since inception (over a decade ago) as a result of the 2010 New Zealand earthquake. For our clients, the loss served to highlight the value of Top Layer Re. And, the already-strong relationships that we had were further strengthened.

We rationalized our venture capital portfolio, one example being the disposition of our remaining investment in ChannelRe, realizing \$16 million from an asset we had previously marked to a carrying value of zero.

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Our Houston-based energy advisory group, REAL, which provides energy risk management and weather-contingent hedging services to power and utilities companies, recorded its third consecutive year of profitability. REAL continues to broaden its customer base and is developing into a unique franchise.

### Results and Capital Management

Net income available to RenaissanceRe common shareholders for the year was \$703 million, or \$12.31 per diluted common share, and operating income came in at \$536 million, or \$9.32 per diluted common share. Gross premiums written decreased 5%, as we refrained from writing business that did not meet our hurdles for risk-adjusted profitability.

As I mentioned earlier, we achieved growth in tangible book value per share, plus accumulated dividends, of 24%. Since our inception, we have achieved an average annual increase of 22%. Coming on the heels of 2009’s unusually large 38% increase, this year’s results were especially gratifying. Our stated objective has always been to grow this measure over time. “Over time” is key: we try to obtain the best return that we can rationally expect within prevailing market conditions. In some years, that return will be better; in others, it will be worse. We will remain disciplined about not attempting to force a return at the wrong time.

Contributing to our performance for 2010 were strong returns from our investment portfolio. Benefiting for most of the year from steadily falling interest rates and tighter credit spreads, our portfolio appreciated significantly in value. We saw good returns in all asset classes, including investment grade corporate bonds as well as high-yield securities and our alternative investments.

Throughout the year our investment portfolio maintained a relatively conservative credit profile and a relatively short duration. We reduced our exposure to high yield debt and continued to exit our hedge fund investments.

Given the prevailing market conditions, investment gains similar to those achieved in 2010 are unlikely to be repeated for the foreseeable future.

Another important contributor to this year’s financial performance was capital management, which included returning excess capital to shareholders. During 2010, our capital management decision regarding excess capital was straightforward: the industry was saturated with capital and our stock, which over much of our history has traded at a significant premium to book value, was trading at attractive prices, so we bought back shares.

We bought back a total of 8.2 million shares for \$460 million during 2010. We also redeemed \$100 million of 7.30% Series B Preference Shares and sold \$250 million of 5.750% Senior Notes. In addition, our managed joint venture DaVinciRe Holdings Ltd. returned \$173.6 million of capital to its shareholders. In the essay “Capital Management at RenaissanceRe” that follows this letter, we outline our capital management philosophy in more detail.

### Risk Management Excellence

Once again, RenaissanceRe was one of only a very few reinsurers rated “Excellent” by Standard & Poor’s for its Enterprise Risk Management. While the awareness of risk management has grown profoundly since the financial

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### Credit Ratings

	A.M. Best	S&P <sup>(5)</sup>	Moody's	Fitch <sup>(6)</sup>
<b>Reinsurance Segment <sup>(1)</sup></b>				
Renaissance Reinsurance	A+	AA-	A1	A+
DaVinci	A	A+	–	–
Top Layer Re	A+	AA	–	–
Renaissance Reinsurance of Europe	A+	AA-	–	–
<b>Lloyd's Segment</b>				
RenaissanceRe Syndicate 1458	–	–	–	–
Lloyd's Overall Market Rating <sup>(2)</sup>	A	A+	–	A+
<b>Insurance Segment <sup>(1)</sup></b>				
Glencoe <sup>(3)</sup>	A	A+	–	–
RenaissanceRe <sup>(4)</sup>	–	Excellent	–	–

(1) The A.M. Best, S&P, Moody's and Fitch ratings for the companies in the Reinsurance and Insurance segments reflect the insurer's financial strength rating.

(2) The A.M. Best, S&P and Fitch ratings for the Lloyd's Overall Market Rating represent its financial strength rating.

(3) The A.M. Best rating for Glencoe is under review with negative implications and the S&P rating for Glencoe is under CreditWatch negative.

(4) The S&P rating for RenaissanceRe represents rating on its Enterprise Risk Management practices.

(5) The S&P ratings for the companies in the Reinsurance and Insurance segments reflect, in addition to the insurer's financial strength rating, the insurer's issuer credit rating.

(6) On January 19, 2011, Fitch upgraded the insurer's financial strength rating of Renaissance Reinsurance to "A+" from "A". The outlook is stable for this rating.

crisis, at RenaissanceRe it has been a discipline that has been at the very core of our strategy since our inception. Our most essential task is the careful management of risk in a volatile business, so that our capital will be there for our clients as promised, when they need it, while providing superior returns for our shareholders.

Back in 1993, we pioneered the use of advanced technology and sophisticated risk modeling to help achieve this task. In the years that have followed, we have continued to make significant investments in our systems and analytical tools to maintain our industry-leading position, and 2010 was no exception.

We continued to enhance our proprietary REMS<sup>®</sup> modeling technology this year. We constructed a new framework for our specialty businesses and created new tools for our Lloyd's platform. We also upgraded our reserving models.

We worked extensively in preparation for Solvency II, which will impose rigorous compliance criteria on insurers and reinsurers wishing to conduct business in Europe.

In this regard, we are pleased to note that Bermuda has been chosen as one of the few jurisdictions for review regarding equivalency status under Solvency II. Bermuda remains a global center of excellence for reinsurance and the most attractive domicile for our flagship operations.

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### **People and Culture**

Just as we have established a distinctive market-leading franchise, we have created a unique culture within our Company. This year marked further positive evolution as we continued to develop the many talents of our people throughout the organization.

At the most senior levels, we expanded our Executive Committee to include four new members: Ross Curtis, who now heads our Lloyd's syndicate; Aditya Dutt, the new head of our Ventures unit; Jon Paradine, chief underwriter of Renaissance Reinsurance Ltd.; and Mark Wilcox, our chief accounting officer. They have all made significant contributions to our Company over the years. Today we have an experienced, cohesive executive team, dedicated to our mission, our values and our corporate goals.

And we continued to develop the depth of our managerial talent. We initiated a new leadership program providing managers with training to deepen their skills. This complements our ongoing efforts in training and mentoring for more senior-level professionals.

I am proud that RenaissanceRe consistently attracts and challenges people of the highest caliber. At every level, our people share a common drive to make our Company the best it can be and to provide outstanding service to our customers.

### **Outlook**

The year ahead should be challenging but rewarding, as long as we continue to exercise the discipline that is our hallmark. The January renewal season reflected continued softening and uncertainty in the market. But overall, we were able to assemble a good book of business with satisfactory expected returns. And as the industry processes the full impact of the recent storms in Australia and the earthquakes in New Zealand and Japan, we are reminded that one can never foretell when events will occur that could affect the market.

I am confident that we have positioned our business for success. Through consistent adherence to our underwriting principles, we remain one of the world's leading property catastrophe reinsurers with additional franchises in related specialty areas. We continue to leverage our core capabilities into innovative avenues for providing capital to our customers. We are squarely focused on our strengths and on laying the foundation for future opportunities.

Thank you for your continued support.

Sincerely,



**Neill A. Currie**  
President and Chief Executive Officer