Letter to Shareholders

By Kevin O'Donnell
President and Chief Executive Officer

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Dear Shareholders,

There are years in our industry that stand out against the backdrop of the ordinary due to particularly large or unexpected losses — 1992 for Hurricane Andrew; 2001 for the terrorist attacks; 2005 for Hurricanes Katrina, Rita and Wilma; and 2011 for earthquakes and tsunamis in Japan and New Zealand. These years defined the industry, testing and transforming the way we approached risk and the role that reinsurers played in helping communities recover. I believe 2020 warrants inclusion on this infamous list. COVID-19, with its infections, lockdowns and economic disruption, was a shared global experience that will have an extended impact on the insurance industry.

As a company, the pandemic tested us operationally and took a personal toll on our employees. Despite these obstacles, we set challenging objectives, excelled against them, and emerged stronger having done so. We are paid to manage volatility and are proud that we once again demonstrated our value proposition, continuing to focus on our customers regardless of the circumstances. As a result, I believe we have positioned ourselves for delivering shareholder value in 2021 and beyond.

1. Our Performance in 2020

Financial Performance

Our performance in 2020 reflected the impact of the COVID-19 pandemic as well as the elevated frequency of the year's natural catastrophic events. We reported net income available to our common shareholders of $731 million and operating income of $15 million. Our book value per common share increased by 14.9% and our tangible book value per common share, plus change in accumulated dividends, increased by 17.9%. For the full year, our return on average common equity was 11.7% and our operating return on average common equity was 0.2%. Additionally, we made $2.8 billion in gross claim payments, helping to rebuild communities and support economic resiliency.

Despite the turmoil of 2020, and thanks to our strong financial position, we increased our quarterly dividend for the 26th consecutive year.

Raising Capital

The year was active for capital management, and our tactics adapted as COVID-19 evolved. In the first three months of the year, we repurchased $63 million of our

common shares, retired $250 million of expensive 5.75% senior debt and redeemed the $125 million of our Series C Preference Shares that remained outstanding.

When COVID-19 started accelerating in March, our initial capital management bias turned towards preserving capital. Having the tools to assess our exposure and liquidity allowed us to shift gears and focus on underwriting opportunities. Entering into 2020, we were already excited about our ability to grow with customers. Primary rates had been consistently hardening for several years across the risk spectrum. These increases were being driven by a reduction in supply due to reform efforts at Lloyd's, increased discipline at larger carriers, historic low interest rates and the impact of social inflation. We recognized that this already improving market was accelerating due to COVID-related uncertainties. As a result, we decided to explore an offensive capital raise.

For us, the choice to raise equity capital is taken neither frequently nor lightly. Since our initial public offering, we have only accessed the public markets once to raise common equity unrelated to an acquisition — post-9/11 in 2001, when we were aggressively deploying capital into underwriting opportunities.

While we already had a strong capital position, we concluded that raising over $1 billion in equity capital would help us construct a "fortress" balance sheet. The capital raise exceeded our expectations and we were pleased to broaden and deepen our relationships with shareholders. With the capital in place, we were able to have early conversations with our customers about how we could help solve their biggest problems, setting us up to renew on the best deals and be "first-call" for new and big opportunities.

Three Drivers of Profit

Consistent with last year's letter, I would like to discuss our profit drivers, which are underwriting income, fee income and investment income.

First Driver of Profit — Underwriting Income

As a risk taker, our goal is to build portfolios that provide superior returns over the long term. We expect to lose money in some years, but believe that our choice to accept volatility results in superior long-term returns. Our identity is to be the Best Underwriter, and our fortunes each year will rise and fall depending on underwriting performance. In 2020, we were impacted by the global COVID-19 pandemic and multiple weather-related catastrophic events, resulting in underwriting losses of $77 million.

COVID-19

Although we model pandemic, we did not anticipate the broad impacts of world-wide lockdowns. Early in the year we understood that COVID-19's impact on the insurance industry and our business would be complex. Losses would depend not only on the physical impact of the virus, but the scale of economic disruption, the response of governments and the decisions of courts.

The largest "unknown" across the industry in 2020 was the scale of business interruption losses. In the United States, court rulings interpreting the availability of business interruption protections from the COVID-19 related shutdowns mostly favored insurers during the year. Internationally, business interruption has been a more fluid issue, as more affirmative coverage was sold.

We recorded a large reserve for potential business interruption losses in the fourth quarter, which we believe is sufficient to cover most potential outcomes. This brought the net negative impact on our 2020 results of operations from COVID-19 to $287 million[1]. That said, I think there is still a great deal of uncertainty in estimating the ultimate impact of COVID-19 on the industry.

As with any disaster, we reflect on opportunities to improve our modeling and underwriting. We now have a much better understanding of the potential impacts from government intervention in pandemic control and have addressed this through increased pricing, tighter definitions of coverage and underwriting exclusions.

Climate Change and Weather-Related Losses

During the year, large weather events had a $494 million net negative impact on our results of operations. These are risks we understand well and are paid to take — an important part of our purpose is to support recovery efforts after disasters strike, which we do by rapidly paying claims that help communities to rebuild.

Climate change is increasingly driving the frequency and severity of natural catastrophes, something we expect and model. The year was another active one in the U.S. with a record-breaking 30 named storms in the Atlantic and a widespread wildfire season on the West Coast that burned about 300% more land in California than the five-year average.

1 For a definition of net negative impact, please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on February 5, 2021.

This was the continuation of a longer-term trend. We believe the high frequency of natural catastrophes in 2020, along with a growing understanding of climate change impact, will add pressure to the rate environment for property catastrophe coverage and should lead to increased demand for reinsurance throughout 2021.

In a world beset by climate change, I believe we have a competitive advantage. Understanding and pricing for climate change is critical to the long-term sustainability of our industry. This is not just the case for hurricanes, but also for precipitation events, flooding risk and, as we are seeing quite dramatically, wildfire frequency and severity. In each of these phenomena, there is a need to focus on physical simulations, applying numerical modeling techniques, instead of past approaches that are solely informed by historical data. Our scientists at RenaissanceRe Risk Sciences work closely with our underwriters and risk managers to build proprietary catastrophe models that capture the physics and future impact of climate change.

Our proprietary analysis can lead to large differences in our understanding of this risk compared to others. For example, in Northern California, our view of risk relative to leading vendor models is heavily differentiated due to climate change and we believe the risk of wildfire events resulting in a $10 billion industry loss is nearly four times higher relative to a leading vendor model.

Obviously, failure to accurately model and price for climate change is bad for shareholders and other capital providers. Ultimately, I believe that this affects all stakeholders and the world at large. As I discussed in my letter last year, the reinsurance industry can be a force for positive social change through its role in ameliorating the impact of climate change and encouraging reductions in the negative externalities it imposes. By pricing for climate change, we reinforce the need to think differently about climate risk and encourage prevention and protection against its impact.

Second Driver of Profit — Fee Income

Our second driver of profit is the fee income we earn on our capital management business. For the year, management and performance fees totaled $145 million, and I am pleased to report that DaVinci, Medici, Top Layer, Upsilon and Vermeer all had profitable years.

That said, the third-party capital market experienced some fatigue. Investors absorbed a fourth consecutive year of elevated catastrophe losses in addition to trapped collateral as a result of COVID-19 business interruption claim uncertainty. Due to our longstanding relationships with our third-party capital providers, we were able to raise over $1 billion in capital across Upsilon, DaVinci, Vermeer and Medici during the year, plus an additional $733 million for the January 1, 2021 renewal, including our own share. With this most recent raise, our co-investments in our joint ventures now exceed $1 billion.

Our capital management business is one of the oldest, largest and most respected in the industry and provides us a significant competitive advantage. At the same time, it benefits our customers as it allows us to bring material amounts of efficient capital to support their risk. The partners for whom we manage this capital appreciate our risk expertise, especially given the growing uncertainty of climate change. For our shareholders, this business continues to be a solid source of low-volatility, capital efficient fee income. Our plan is to continue to grow our fee income-generating business in the future, although it is unlikely we will be able to maintain the same trajectory of growth as the previous few years.

Third Driver of Profit — Investment Income

Our third driver of profit is investment income. Our total managed investment portfolio now exceeds $20 billion. About $5.3 billion of this amount is capital we manage on behalf of others in our fee income-generating business. In our Financial Supplement, we clearly break out our managed and retained investment portfolios, so you can see what impacts our bottom line.

Our managed investment portfolio also includes about $10 billion in reserves. Reserves are losses that we think are likely to have occurred, but which have not yet been paid. It can take several years before a loss is paid, and in some instances closer to a decade. As our reserves grow, especially in line with our Casualty and Specialty segment, our investment leverage increases. Assuming we have estimated these reserves correctly, this is another source of low-volatility income.

Overall, our investment portfolio was favorably positioned to withstand the volatility of 2020. We prefer to make our money through underwriting, and consequently do not attempt to “stretch for yield.” That said, our retained portfolio has generated relatively strong returns over time, and we believe it has done so with a lower relative risk profile. During the year, we increased both the allocation to, and duration of, investment grade corporate credit. Both benefited our investment results as rates decreased and spreads tightened.

The Importance of Culture in the Time of COVID

Just as COVID-19 impacted us financially, it had profound implications on the way we operated during the year. Like many companies around the world, we transitioned to working from home in the first quarter. I am extremely proud of how quickly and effectively our people adjusted to an entirely new work regime under difficult circumstances. Our teams stayed closely connected, executing several important renewals and our largest ever capital raise while maintaining our gold standard of Superior Customer Relationships.

It is times like these when the strength of our culture really shines, in particular the Integrated System and our Three Superiors (Superior Customer Relationships, Superior Risk Selection and Superior Capital Management). These are key elements of our strategy, and they drive our thinking and decision-making. Ultimately, our culture fostered collaboration and maintained consistency when we could not be together physically, which allowed us to maintain best-in-class service to customers through an otherwise tumultuous period.

During 2020, we continued to invest in our people, with 100 new team members joining us, half of whom were hired in a remote work environment. We brought on new leadership with Ann Manal joining as our Chief Human Resource Officer and Shannon Bender as Group General Counsel and Corporate Secretary.

While we have operated seamlessly even while working from home, being together fuels our culture and creativity and I'm looking forward to the time when all our global offices can fully reopen and we can collaborate in person.

2. Executing our Strategy

Our strategy is to match desirable risk with efficient capital through the application of our Three Superiors. We have strong conviction in our strategy, as well as our ability to execute it in any phase of the market cycle.

Over the years, we have made a series of deliberate strategic decisions to enhance the flexibility of our platforms, which allow us to react quickly to changing market conditions. We have broadened our access to risk, writing more lines of business across more offices. At the same time, we have also diversified our sources of capital through various owned and managed balance sheets, as well as equity, debt and ILS markets.

An example of the benefit of increased flexibility is our growing leadership in the casualty and specialty market. Several years ago, our customers told us they wanted to expand their global relationships with us. Through organic growth and strategic acquisitions, we began methodically initiating small positions on desirable programs, which we used to build strong customer relationships over time. As casualty rates have improved during the last several years, we were pre-positioned with desirable customers, allowing us to grow successfully into an improving market at more profitable expected returns.

Another example of the strategic benefits of our flexible platform has been the growth in our other property class of business. We are increasingly using this business to accept property catastrophe risk, but through mechanisms such as quota share and per risk treaties, often with exposure to property E&S markets. We did this in part because it is increasingly how our customers choose to cede their property catastrophe risk. But also, over the past few years, we have witnessed a growing rate momentum in this sector, which we expect to persist due to greater barriers to entry.

The execution of our strategy over the course of 2020 culminated in a very successful January 1 renewal in 2021, when we grew materially in both casualty and specialty and the other property class of business. While we originally anticipated that it would take the better part of 2021 to fully deploy the equity capital we raised at mid-year, we were able to do so during the renewal at attractive terms.

In addition to writing more business, we retained more risk net by buying proportionately less retro in both our segments. We believe this was prudent for our shareholders, as we were being paid more to do so. We also deployed more of our own capital into our managed balance sheets, increasing our ownership stake in DaVinci Re by 7.3 percentage points to 28.7% and Medici by 3.6 percentage points to 15.7%.

Despite deploying material capital at January 1, we began 2021 with significant balance sheet strength and flexibility. We believe that we will be able to take advantage of many market opportunities over the course of the year and beyond that will drive value creation for shareholders.

Sustainable Growth — Attention to Environmental, Social and Governance

In my 2019 Letter to Shareholders, I discussed RenaissanceRe's long history of good corporate citizenship. Whether advancing climate change research and risk mitigation efforts or giving back to our communities through our long-standing corporate social responsibility program, we have focused on environmental, social and governance (ESG) issues because they advance our business goals and are the right thing to do. However, as RenaissanceRe grows, so does our ability to be a positive force for change. In 2020, we took several additional steps to formalize and advance our ESG efforts.

We published an ESG strategy that centers on three priorities:

1. Promoting Climate Resilience: Developing and sharing our skills and expertise to help the world better manage climate risk;

2. Closing the Protection Gap: Partnering to provide sustainable risk mitigation solutions for those that are vulnerable in society; and

3. Inducing Positive Societal Change: Shaping a positive environment for our people and communities.

We chose these three priorities because they are where our risk acumen intersects with our ability to make a meaningful impact on society. Whether it was tracking and offsetting our operational carbon footprint, eliminating the exposure to "ESG laggards" in our investment portfolio or enhancing our recruitment and selection processes to be more inclusive, I am proud of the progress we are making.

To better illustrate this progress to you, we have augmented the public disclosure of our ESG activities through a new ESG page on our website, which you can view at https://www.renre.com/about-us/esg-at-renaissancere/. This site provides all our stakeholders with additional insight into key sustainability activities within the above priorities.

3. Every Risk Has an Owner

Each year in my letter, I like to devote some attention to the role of reinsurance and its importance to society — what you might refer to as its purpose.

In prior letters, I have addressed topics such as the role of reinsurance in accurately estimating risk and efficiently allocating capital to support that risk. This year I will concentrate on the locus RenaissanceRe occupies between risk and capital, and the role we play in both reducing and transferring risk.

Closing the Protection Gap

Why is this important? Once again, the issue of insurability has arisen, this time with respect to California wildfires. In the past, we have heard similar doubts mooted regarding floods and hurricanes. Any time there are large losses, questions invariably arise as to whether the risk in question remains insurable.

I think this is a dangerous question that misses the point. When there is a loss, the real question should be "what capital may best bear it?"

All things equal, insuring a risk becomes relatively more expensive as the frequency and severity of losses increase, as is the case with climate change-driven wildfire risk in California. But to conclude the risk is not insurable is irresponsible. Wildfires will inevitably occur, and the absence of insurance results in the cost of rebuilding being borne by a party unprepared to undertake the expense. This will often be a homeowner, for whom rebuilding may be burdensome to the point of hardship. The alternative — and this is even more expensive socially — is that communities are not fully rebuilt.

This problem is what is known as the "protection gap" — the gap between insured and economic losses. If the insurance mechanism is allowed to function properly, it can bridge this gap through two very important processes — reducing risk and channeling it to capital that can effectively, and knowingly, absorb any losses associated with it.

Government-backed mechanisms can help cover "uninsurable" risk and, when properly designed, help bridge short-term market inefficiencies and close the protection gap. A poorly designed government backstop, however, often results in merely transferring risk from one group to another, such as taxpayers, who likely do not know they are assuming the risk and certainly are not being paid to bear it. Long-term, poorly designed mechanisms tend to exacerbate the protection gap by subsidizing irresponsible risk taking, often in environmental sensitive areas most affected by climate change.

We believe that the participation of the private market in these mechanisms is a critical component for ensuring their proper functioning. Throughout our history, we have been a leader in helping design public/private partnerships to deliver proactive solutions that help close the protection gap for some of the world's largest risks, including climate change-driven natural catastrophes. We are proud of our long-term track record in this area and have an extensive history of working with the National Flood Insurance Program, the California Earthquake Authority, the New Zealand Earthquake Authority and the Florida Hurricane Catastrophe Fund, as well as countless other government programs protecting against wind, flood, earthquake and terrorism risk. I believe there will be many opportunities going forward to collaboratively and profitably contribute to these and other entities, and we can do well by doing good while helping close the protection gap.

Our Role as Conduit

The reinsurance industry generally, and RenaissanceRe specifically, has an important role to play in keeping risks such as wildfire insurable. This is more important than ever as climate change continues to amplify the risk of natural catastrophes. As I discussed, we do this in two important ways. First — we channel risk away from those to whom it is harmful and to the capital that is best capable of bearing it. Second — we accurately quantify and maximally diversify that risk. This allows the transfer of well-priced components of risk to willing investors who are paid sufficiently to bear it (and — critically — to continue doing so after a loss).

As discussed above, our strategy involves matching desirable risk with efficient capital through the application of our three competitive advantages: Superior Customer Relationships, Superior Risk Selection and Superior Capital Management. Consistent with this framework, I believe we play three critical roles with risk — assumption, diversification and transfer — effectively serving as a conduit for the efficient allocation of risk from those who cannot bear it to those who can.

Step 1 is to assume the risk. Our customers, who are predominantly insurance companies, cannot effectively manage extreme volatility, and consequently seek to transfer it. This is where Superior Customer Relationships are advantageous. We have fostered close relationships with the biggest and best insurance companies around the world and have deep expertise in designing bespoke reinsurance solutions. This makes us a first call market, putting us at the front of the line for the largest shares of the best deals.

Step 2 is to diversify the risk. This is Superior Risk Selection. Insurance risk can be analogized to stocks in the securities market, where effective diversification reduces risk. By choosing the most profitable layers on the best deals, we are able to build efficient portfolios of risk that benefit from diversification across peril and geography.

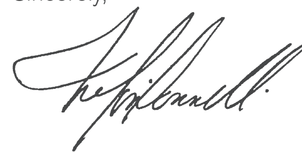
Step 3 is to transfer the risk. This is Superior Capital Management. Diversification is an effective tool to reduce risk, but it will never be able to eliminate it. Investors will willingly accept volatility but need to be paid to take it. There is a catch, however. The Capital Asset Pricing Model tells us that, at least with securities, investors are only paid to take undiversifiable risk. We believe this is also applicable to insurance risk and partly explains the underperformance of poorly diversified natural catastrophe risk ceded to third-party capital. So, the role we play in diversifying risk in Step 2 is an essential precursor to Step 3, because we only transfer the components of risk to investors that they will be adequately compensated for taking.

In summary, the role we play, as an industry as well as a company, is as a conduit for the efficient transfer of well-diversified risk. And, even though we often think about this in terms of profit and loss, ultimately it should be viewed in the light of protecting communities and increasing prosperity. In 2020, I think we once again demonstrated our value by protecting stakeholders from extreme volatility.

In Closing

I closed last year's letter by stating that our strategy of growth and diversification had made us increasingly resilient and better able to serve our stakeholders. This assertion was tested in 2020 in ways I could never have anticipated. I am confident we not only passed this test, but even outperformed. We entered 2021 with a fortress balance sheet and what I believe is the best opportunity set in years. I have every confidence we are in a strong position to deliver value to our stakeholders and have one of our best years yet.

Sincerely,



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