RenaissanceRe

2006 Annual Report

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COMPANY OVERVIEW

RenaissanceRe was established in 1993 and today is a leading global provider of reinsurance and insurance. Through our operating subsidiaries, we provide value to our clients in the form of financial security, innovative products, and responsive service. We are known as a leader in paying valid reinsurance claims promptly. We measure our financial success through long-term growth in tangible book value per common share plus accumulated dividends, which we believe is the most appropriate measure of our Company's performance, and believe we have delivered superior performance in respect of this measure in the past.

Our core products include: property catastrophe reinsurance, which we write through Renaissance Reinsurance and joint ventures, principally DaVinci and Top Layer Re; specialty reinsurance risks through Renaissance Reinsurance and DaVinci; and primary insurance and quota share reinsurance, which we write through the operating subsidiaries of the Glencoe Group.

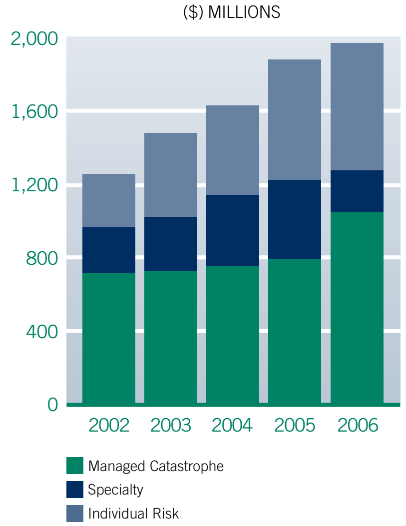
For more information about our Company, please visit our website: **www.renre.com**

FINANCIAL HIGHLIGHTS

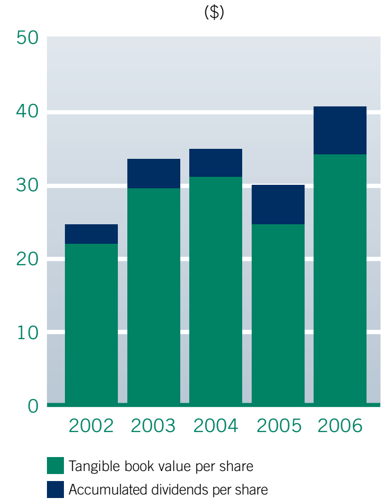
RenaissanceRe Holdings Ltd. and Subsidiaries

(in thousands, except per share data)	2006	2005	2004	2003	2002
Gross premiums written	$1,943,647	$1,809,128	$1,544,157	$1,382,209	$1,173,049
Operating income (loss) available to common shareholders*	796,099	(274,451)	109,666	525,488	341,889
Net income (loss) available to common shareholders	761,635	(281,413)	133,108	605,992	342,879
Total assets	$7,769,026	$6,871,261	$5,526,318	$4,729,702	$3,747,173
Total shareholders' equity	$3,280,497	$2,253,840	$2,644,042	$2,334,643	$1,640,690
Per common share amounts					
Operating income (loss) available - diluted*	$11.05	$(3.89)	$1.53	$7.40	$4.87
Net income (loss) available - diluted	$10.57	$(3.99)	$1.85	$8.53	$4.88
Tangible book value*	$34.30	$24.52	$30.19	$29.61	$21.37
Dividends	$0.84	$0.80	$0.76	$0.60	$0.57
Operating ratios					
Operating return on average common equity*	37.9%	(13.3%)	5.1%	29.3%	26.9%
Net claims and claim expense ratio	29.2%	116.6%	81.9%	33.0%	41.2%
Underwriting expense ratio	25.5%	23.1%	22.5%	23.4%	19.0%
Combined ratio	54.7%	139.7%	104.4%	56.4%	60.2%

GROSS WRITTEN MANAGED PREMIUMS BY LINE*
($) MILLIONS

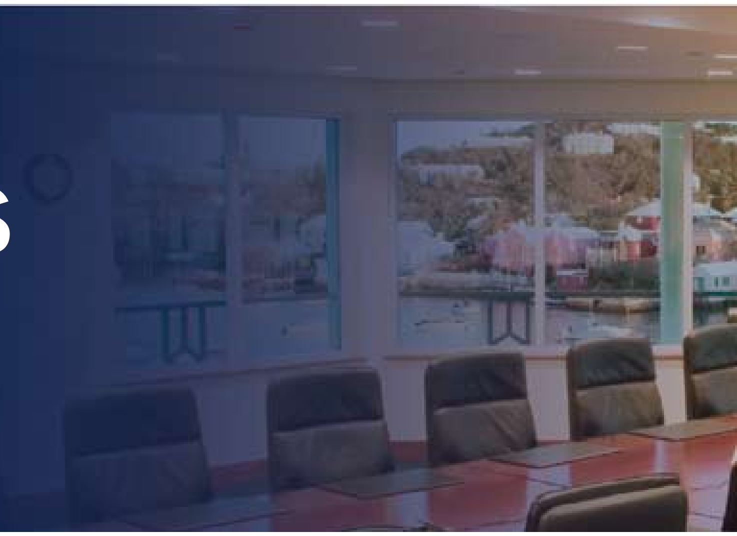


TANGIBLE BOOK VALUE PER SHARE PLUS ACCUMULATED DIVIDENDS*
($)



*In this annual report we refer to various non-GAAP measures, which are explained in the Comments on Regulation G on page 19.

LETTER TO SHAREHOLDERS



Some might be struck by the contrast of RenaissanceRe's strong performance in 2006 with our performance during the multi-disaster years of 2004 and 2005, which also included a period of considerable corporate turmoil. However, as we pointed out in last year's letter, RenaissanceRe is a resilient company with a business model that we believe will produce above average returns over time.

The fact that 2006 was a below average year for earthquakes and land falling hurricanes was a major contributor to our stellar results. However, it should be noted that, even if the year's catastrophe losses had been average, we believe the portfolio of business we constructed would still have resulted in attractive returns. Much of the value we generated for our shareholders can be tied to the ability of our team to remain focused on our core strategy, unchanged since our founding: to maintain disciplined risk taking and opportunistic entry into markets, supported by sophisticated risk management technology, prudent capital management and exceptional client service.

Some Basic Truths

Last year, many in the financial community wondered whether we were mistaken to remain so committed to the property catastrophe business. Since then, we witnessed a marked reversal in sentiment as capital entered the market from all corners to take advantage of prevailing market conditions. This is a reality in our cyclical business: the flow of capital drives the relative attractiveness of our business, which is why disciplined underwriting and superior risk analytics are so critical to our success.

If anything, the year's results underscored a few basic truths.

First, our main business, catastrophe reinsurance, is extremely volatile. In any year, we face the possibility of exceptional profit or sizable losses. We are mindful that the next major disaster may be just around the corner, and so we must never get carried away by temporary good fortune. And yet, over the long haul, we believe that, for disciplined companies such as ours, the good times will outweigh the bad. In years when ill winds do not blow and the ground does not shake, we expect to generate results that will more than tide us over during bad times and will provide our shareholders with attractive long term returns.

We also believe that exceptional returns can be achieved by aggressively pursuing opportunities when markets are most dislocated. Still, good returns are not a given, and one must stay disciplined in evaluating and assuming risks and properly structuring the Company's portfolio.

Thirdly, this year showed once again that even less experienced participants in our industry can achieve strong results in a year with a low level of catastrophes or loss emergence. But such banner years enable industry leaders, like RenaissanceRe, to perform well above the average and emerge in an even stronger position for the future.

Financial Performance and Industry Leadership

For the year, our operating income rose to a record $796 million, or $11.05 per fully diluted share. Return on equity was almost 38%, and tangible book value per share increased over 40%. Our primary focus is on the longer term, and we are pleased that over the past five years, despite the losses of 2004 and 2005, we generated an annualized compounded growth in tangible book value per share plus accumulated dividends of more than 17%.

FROM LEFT:
Neill A. Currie
Chief Executive Officer
W. James MacGinnitie
Chairman of the Board

Key to our success in 2006 was the market leadership we displayed from the very outset of the year, starting with the January cat renewal season. Our leadership was supported by the confidence we have in our proprietary risk models. In the aftermath of Katrina, Rita and Wilma, many of our competitors waited for revamped risk models from commercial vendors, and even then were unsure of how to proceed.

Following the previous years' hurricane activity, by late 2005 we had completed a comprehensive review of our proprietary North Atlantic hurricane models. We concluded that we had entered a period of higher hurricane frequency and severity, and consequently adjusted the assumptions in our models. We reflected these changes in our underwriting assumptions and went out into the market with the courage of our convictions, prepared to write coverage at terms we considered appropriate. As a result, we constructed quite an attractive book of catastrophe business, both at the January and the June renewal seasons. The quality of this book not only drove our 2006 results, but laid the groundwork for additional benefits that we expect to appear in the years to come.

By stepping up so readily, we continued to demonstrate to our clients, and to their brokers, that we will provide them with the products they need, when they need them, even when others shy away – as long as we are compensated fairly for the risks we assume.

Distinguishing Our Company Through Raising Capital

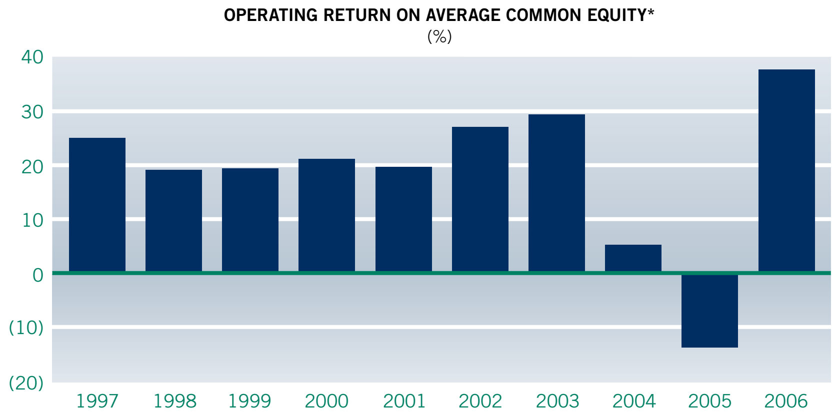
Similarly, we distinguished ourselves in the way that we raised new capital to take advantage of the attractive market and provide clients with the capacity they so urgently required. Although ample capital was seemingly available to the marketplace – through hedge funds, private equity and other third parties eager to invest in established or newly formed reinsurers – the lack of reinsurers willing to take on wind exposure in the southeastern United States presented brokers and clients with significant capacity shortfalls.

As a result, in late 2005 and early 2006, we raised over $380 million for DaVinciRe, our joint venture catastrophe reinsurer, from new and existing investors, and were instrumental in the creation of two new joint ventures, Tim Re and Starbound Re, specifically for the Florida hurricane market. We raised an additional $300 million in late 2006 through a public offering of perpetual preference shares, our largest public offering ever, to opportunistically refinance two outstanding preferred issues, and thereby lowered our cost of capital.

These activities demonstrated RenaissanceRe's growing skill in accessing capital markets through a variety of public and private avenues, and in deploying capital in diverse structures appropriate to our partners' and investors' appetite for risk. One of our objectives is to position RenaissanceRe as a destination of first choice for investors seeking opportunities in our market segments.

Enhancing Our Leadership Through Technology

Our market leadership, once again, was driven by our substantial investment in our proprietary, computer based REMS© risk modeling technology. During the past year, we continued to invest heavily in this technology and the intellectual capital behind it, increasing the arsenal of predictive capabilities and risk analysis tools available to our underwriters. Recent enhancements include automated portfolio runs on a nightly basis. This enables us to examine risk metrics, analyze capital and perform rating agency tests every day. Combined with our existing capabilities for assessing the marginal impact of any potential assumed, ceded or capital transaction in real time, we believe that our tools continue to lead the industry.



Other Achievements – Individual Risk and Specialty Reinsurance

Our Individual Risk business experienced another year of growth. We achieved this despite our decision to redeploy capacity, previously earmarked for Florida homeowners' insurance through quota share reinsurance, into our property catastrophe reinsurance book, where we determined the risk adjusted returns to be superior.

This coordinated analysis across our entire book, and our willingness to shrink elements of our business when we estimate returns to be inadequate or appear superior in other lines of business, is a basic tenet at RenaissanceRe. It also explains why we wrote considerably less specialty reinsurance business in 2006, as we found some of our specialty areas, such as catastrophe related workers' compensation reinsurance, to provide returns below our desired level. Writing coverage for risks for which we believe we are not being paid, or paid sufficiently, is something we resolutely avoid.

Strengthening Our Organization

Our year's excellent performance, and our strong position at year end, would have been impossible without our exceptional people and the strong corporate culture we have nurtured at RenaissanceRe.

During the year, we continued to grow, and we now have approximately 220 people throughout our organization. We added seasoned personnel across the Company, including Fred Donner, our new Chief Financial Officer. We also welcomed Henry Klehm III to our Board of Directors, who brings with him valuable experience as Global Head of Compliance of Deutsche Bank, AG.

We expanded our leadership development initiative begun in 2005 to train our senior personnel, and this year created a mentoring program for nurturing people across the Company at all levels. We are pleased that we continue to attract and retain people of the highest caliber, who are excited to be part of RenaissanceRe and appreciate being at one of the premier companies in our field.

In February 2007, we announced a final settlement with the Securities and Exchange Commission. In addition, we also announced an agreement, subject to court approval, to settle the consolidated shareholder class action litigation against the Company. We are pleased to have put these matters behind us. All of us at RenaissanceRe are committed to operate with the utmost integrity at every level.

We believe that in a short period of time our Company has reached a new level of maturity as an organization. In part, this has been due to the self-reflection we undertook as a group during the past two years, and the changes implemented as a result. While RenaissanceRe still maintains its agility and its enthusiasm to innovate, the Company has conclusively passed beyond its early startup years to become a well functioning, diversified, multi-geographic entity that has survived turmoil and gone on to new strengths and accomplishments.

Looking Forward

As the past year brought challenges that we met with confidence and skill, so too will the coming year bring its own share of new developments. Although market conditions in our core catastrophe business remain attractive, we do not expect the same richness of opportunity we encountered in 2006.

> "The significant leadership position we have built, founded on our expertise and consistency, is more important than ever as a differentiator and driver of performance."

Competition will be fierce, and not just from other insurers and reinsurers. We are increasingly competing with hedge funds, investment banks and other capital providers seeking to profit through alternative investments such as catastrophe bonds and index related instruments. The significant leadership position we have built, founded on our expertise and consistency, is more important than ever as a differentiator and driver of performance.

As always, we face the challenge of optimally managing our capital. With the high returns of 2006, and our strong balance sheet, we will stay disciplined, yet open to all considerations concerning the best use of our resources.

We face uncertainties in the regulatory arena, too. There is debate in U.S. legislative circles about the tax treatments of foreign operations, and, in the aftermath of Katrina, the idea of a U.S. national catastrophe fund is also under consideration. These would impact us and we would need to adjust. Already, we have seen legislative changes in Florida, one of our key markets, that will increase the state funded Florida Hurricane Catastrophe Fund and reduce the role of open market business. Still, we remain well positioned to provide a meaningful share of the remaining capacity that will be sought from the private sector. Furthermore, we expect this situation to remain fluid for many years before it is resolved.

Bermuda, too, faces challenges as its infrastructure copes with the inflow of new companies, capital and people all coming to work here. RenaissanceRe has been an active and generous local corporate citizen and will continue to support efforts to improve the community at large.

Despite these and other challenges, we approach the future in great shape, both financially and organizationally. We keep getting better at what we do. Our task – the very essence of our Company – is to be able to handle whatever comes our way. We look forward to the challenge.

Sincerely,

Neill A. Currie
Chief Executive Officer

W. James MacGinnitie
Chairman of the Board

REINSURANCE

Kevin J. O'Donnell
President,
Renaissance Reinsurance Ltd.

An Exceptional Year in Catastrophe Reinsurance

This past year demonstrated once again why, since its foundation over thirteen years ago, RenaissanceRe has been able to distinguish itself as one of the world's foremost catastrophe reinsurers.

Following the devastating 2004 and 2005 hurricanes, there was tremendous fear and uncertainty in the market, a result of a lack of information and the significant losses. Under the circumstances, the market stagnated and there was a reluctance to provide pricing and capacity.

Our rational approach to such conditions enabled us to provide solutions for our clients. Using our proprietary REMS© risk modeling technology, we quickly evaluated the new market paradigm and the resulting opportunities. We assessed our own risk levels and the amount of capital we were willing to expose to new business in the aftermath of Katrina, and determined what our new rate structure would be, according to our revised assumptions for Atlantic hurricane risk.

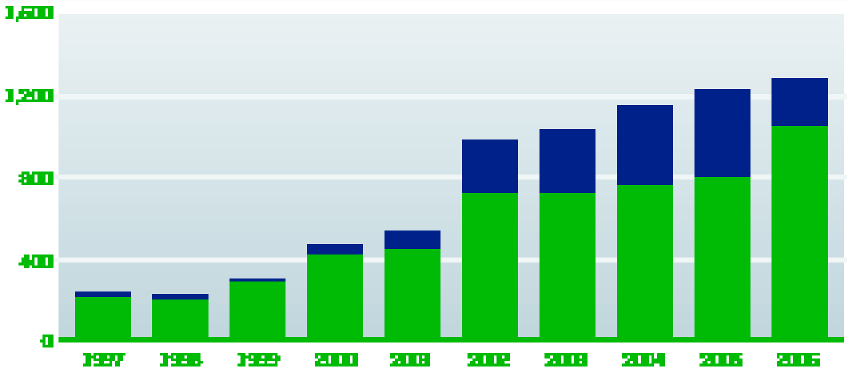
We were able to move more quickly than our competitors, who in most cases were still waiting for updated risk models to be available from commercial vendors.

As a result, we were able to obtain the allocations we wanted of the best business and assembled what we believe to be one of our best ever books of business, on a risk adjusted basis. We significantly increased our managed catastrophe premium while keeping our overall level of risk exposure essentially flat with the prior year.

By stepping up and delivering capacity when it was needed, we demonstrated market leadership and solidified our relationship with brokers and clients, who appreciated our efforts at a time when coverage was difficult to obtain. This was another example of our strong customer focus, in keeping with our goal to pay claims quickly and work closely with clients to structure policies that provide the coverages they need.

> "By stepping up and delivering capacity when it was needed, we demonstrated market leadership and solidified our relationship with brokers and clients…"

GROSS WRITTEN MANAGED PREMIUMS BY LINE*
($) MILLIONS



Managed Catastrophe Specialty

Our continued investment in sophisticated risk modeling technology, and our adherence to a consistent strategy despite the emotional market climate, are both paying off handsomely.

We also benefit from having talented underwriters who are able to use our models, not as an absolute ruler, but as a valuable guide, and can adjust their approach as market conditions dictate. Of course, the good fortune of a relatively mild year – in terms of storms making landfall and other disasters – also contributed meaningfully to our outstanding profitability.

Softness and Strength in Specialty Areas

In specialty reinsurance, where we have established several successful franchises, we encountered a more challenging environment. The catastrophe related workers' compensation market provided inadequate returns compared to the property catastrophe market and resulted in our reduction of this book of business substantially in 2006. Other specialty areas, like marine, aviation and medical malpractice, have continued to be relatively unattractive and we have not been able to find the opportunities we had hoped for.

Nevertheless, our position in casualty clash has grown into a leading franchise. This is a complex product that requires a deep understanding of the behavior of multiple risks and also demands closer communication with cedants than standard catastrophe reinsurance. We believe we have done well in picking good partners and continue to see low loss emergence. We also experienced another year of satisfactory profitability in our surety business.

We have remained disciplined in looking for diversifying specialty lines, which has resulted in a reduction in written premium. We continue to look at new opportunities but will not diversify without adequate return for the risk we are taking.

AT A GLANCE

Property Catastrophe and Specialty Reinsurance

The Company's reinsurance segment is written primarily by Renaissance Reinsurance Ltd. - one of the world's leading reinsurers, specializing in property catastrophe and specialty products.

Renaissance Reinsurance has been a pioneer in the use of sophisticated computer modeling for risk analysis and management. Using proprietary technology, its seasoned team of underwriters has been able to construct a superior risk portfolio, while cultivating long-term relationships with clients who appreciate our problem-solving capabilities.

In addition to our expertise in property catastrophe reinsurance, our specialties include casualty clash, crop/hail and multi-peril crop, medical malpractice, personal accident and life catastrophe, terrorism, surety, and catastrophe-related workers' compensation reinsurance.

VENTURES

Jay Nichols
President, RenaissanceRe Ventures Ltd.

Expanding Our Activities through Ventures

In 2006, our joint venture capabilities brought considerable additional benefits to our bottom line.

In late 2005 and early 2006, as it grew apparent there would be a significant opportunity in the catastrophe reinsurance market, we raised over $380 million in new capital for DaVinciRe, our largest joint venture, in which we hold approximately a 20% interest, and which participates in property catastrophe reinsurance transactions alongside RenaissanceRe. By recapitalizing DaVinciRe to levels above those it had reached before the 2004 - 2005 hurricanes, we were able to bring much needed incremental capacity for our underwriters to offer our clients. Like RenaissanceRe's property catastrophe business, DaVinciRe had a highly profitable 2006.

Creating New "Sidecars" in Record Time

As we recognized in early 2006, the extent of the capacity shortage in property catastrophe reinsurance, we were instrumental in the creation of two new joint venture vehicles, Tim Re and Starbound Re. Unlike DaVinciRe, which is a separate, highly rated reinsurance company that provides capacity directly to RenaissanceRe's clients, Tim Re and Starbound Re did not seek a rating nor write business directly for our clients. Rather, they were created as fully-collateralized "sidecars" that would reinsure RenaissanceRe and DaVinciRe for client exposure undertaken. Tim Re and Starbound Re were specifically dedicated to the 2006 Florida hurricane market, and were almost entirely financed by outside capital. With operations managed by Renaissance Underwriting Managers, a wholly owned subsidiary of RenaissanceRe, investing in Tim Re and Starbound Re allowed investors a "turn-key" ability to take timely advantage of an attractive opportunity that may prove to have a limited timeframe – and provided our clients with sorely needed capacity. Working with proven partners, we launched Tim Re in February 2006, raising over $49 million in equity, and Starbound Re in April 2006, raising more than $126 million in equity and $184 million in debt.

> "We have increasingly gained a reputation as a "go-to" market, matching capital with risk to satisfy the investment objectives of our partners and the needs of our clients."

Tim Re and Starbound Re were born of a distinct combination of events: a significant supply-demand imbalance in Florida catastrophe reinsurance; the availability of capital from hedge funds and other capital providers eager to find a way to participate in the hardening Florida market; Renaissance Underwriting Managers' demonstrated ability to manage portfolios on behalf of outside investors; and our distinctive skill and experience in creating joint ventures that bring additional capacity to the market without distorting our own risk profile.

Top Layer Re, Channel Re and Other Ventures

Our other joint ventures also performed well during the year. Top Layer Re, our longest running joint venture, in which we hold a 50% interest, concentrates on the non-U.S. market and participates in catastrophe layers that are higher (more remote) than those assumed by RenaissanceRe or DaVinciRe. Although volume dipped due to intense competition driving some regional pricing below technical levels, Top Layer Re still remained attractively profitable. Its record of achieving another loss free year unbroken since its inception in 1999.

Our strategic investment in AAA rated Channel Re, of which we own approximately 33%, continued to perform well. Channel Re is a financial guaranty reinsurer that we formed with MBIA, Koch Financial Corporation and Partner Re Ltd. Channel Re has built a diversified book of reinsurance risks and produced a stable return on equity in the low to mid-teens.

Since 1999, RenaissanceRe has created several successful joint ventures, each with a different structure, appropriate to the opportunity. We have increasingly gained a reputation as a "go-to" market, matching capital with risk to satisfy the investment objectives of our partners and the needs of our clients. Inherent in our focus on active capital management is our responsibility to find the most appropriate capital in the right vehicle for our clients. At the same time, through vehicles such as DaVinciRe, Top Layer Re, Tim Re and Starbound Re, we have continued to augment the Company's underwriting activities by converting risk premium to premium managed for a fee. Of our 2006 managed catastrophe premium, nearly half was written on behalf of our joint ventures.

AT A GLANCE

Ventures

RenaissanceRe's Ventures unit expands the scale of RenaissanceRe's business by creating joint ventures, customized reinsurance products, and other strategic relationships that leverage the Company's underwriting expertise and experience.

- Through our Property Catastrophe Managed Joint Ventures, we create ventures that provide RenaissanceRe with management fee income and bring additional reinsurance capacity to our clients. Our principal joint ventures are Top Layer Re and DaVinciRe.
- Our Customized Reinsurance Transactions enable partners and investors to participate in the performance of the Company's catastrophe reinsurance portfolio.
- The Ventures Group also structures and invests in Business Development Joint Ventures and Strategic Investments, in which we partner with "best-of-breed" market participants, typically in non-catastrophe classes of risk. These provide diversification and give us exposure to other aspects of the insurance and/or reinsurance markets.

INDIVIDUAL RISK

William J. Ashley
President & Chief Executive Officer,
Glencoe Group Holdings Ltd.

Another Year of Growth in Individual Risk

RenaissanceRe's Individual Risk business, operating under the banner of the Glencoe Group, writes primary property and casualty insurance and quota share reinsurance, and generates business through three main channels: program managers, with whom we partner on a small number of large programs; primary insurers, for whom we provide quota share reinsurance; and brokers, with whom we write primary insurance on a risk-by-risk basis.

In 2006, our Individual Risk business performed well. Gross premiums written grew approximately 6%, which in fact represented sizable growth in light of a substantial amount of quota share catastrophe related business that was shifted to RenaissanceRe's catastrophe reinsurance operations, after we determined that some of our wind exposed quota share reinsurance business would be more profitable if written as excess of loss reinsurance.

This serves as a testament to the spirit of teamwork and cooperation throughout RenaissanceRe, and underscores the competitive advantage we enjoy as a company by measuring our corporate performance across the entire organization, and deploying our capital to those areas that promise the greatest returns, no matter where within the group they exist.

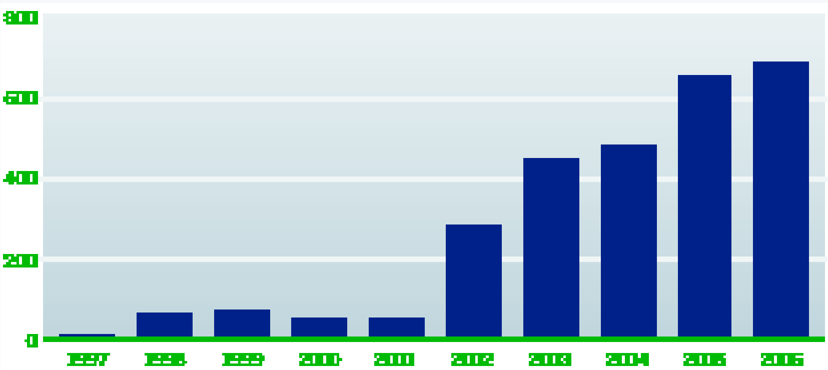
Within our Individual Risk business, we saw excellent opportunities in the commercial property catastrophe related excess and surplus lines market, and we executed well to take advantage of those conditions. The opportunity that began in the Florida and Gulf Coast wind exposure market eventually extended to the entire East Coast, and by mid-year we also saw considerable hardening in the California earthquake market as well. We added capacity to both these areas and were pleased with the results.

Selectively Cultivating Our Program Business

Our programs performed to our expectations, and one in particular, an agricultural insurance program, had an exceptional year. New program growth was slow, as the program business in general has begun to attract significantly greater industry interest. We experienced softening within the casualty area, as competitors sought to diversify into this business segment. Thus, we remain cautious when reviewing any new casualty opportunity.

We were pleased, however, with the exceptional strength of the relationships we have developed with the program managers with whom we do business. We continued the practice of embedding our own people within their operations,

INDIVIDUAL RISK GROSS PREMIUMS WRITTEN
($) MILLIONS



and of providing our partners with excellent capital support, modeling expertise and risk analysis. This has proven invaluable in assisting these program managers to grow their businesses with careful thought and strategic contributions. It has also fostered a closer bond between the Glencoe Group and these managers, who increasingly provide us with excellent referrals and new business relationships of the highest caliber.

We continued to develop our PACeR system, a proprietary data warehouse and technology that has enabled, and will further enable, our Individual Risk business to exploit the capabilities of data mining. In some areas, we are using multi-variant modeling, through which we subject each risk we consider to a broad and deep data analysis.

This has enabled us to sharpen our risk evaluation and thereby price our products more appropriately for each individual policy we write. This past year, using this cutting edge modeling and implementing this strategy across a few of our programs, we found that our retention rates stayed the same – that is, our sharper pricing didn't drive purchasers away – and our expected loss ratios improved.

We also brought on board a new chief operating officer to help the Glencoe Group gain efficiencies in both our Dallas and Bermuda operations. We continued to build up our Dallas infrastructure and staff, and now have a total of 65 professionals in that office. We are well positioned to take on additional business without adding significantly more personnel.

> "…we saw excellent opportunities in the commercial property catastrophe related excess and surplus lines market, and we executed well to take advantage of those conditions."

AT A GLANCE

Individual Risk

RenaissanceRe's Individual Risk business is written by the Glencoe Group through its principal operating subsidiaries.

Individual Risk products primarily include:

- Commercial and homeowners property coverages, including catastrophe-exposed products
- Commercial liability coverages, including general, automobile, professional and various specialty products
- Reinsurance of other insurers on a quota share basis.

Individual Risk business is mainly produced through three distribution approaches:

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. Primary Insurers – we write quota share reinsurance with primary insurers who, similar to our program managers, provide most of the back-office and support functions
3. Brokers – we write primary insurance produced through licensed intermediaries on a risk-by-risk basis.

FINANCE & ADMINISTRATION

Fred R. Donner
Executive Vice President
Chief Financial Officer,
RenaissanceRe Holdings Ltd.

Peter C. Durhager
Senior Vice President
Chief Administrative Officer,
RenaissanceRe Holdings Ltd.

Todd R. Fonner
Senior Vice President
Chief Risk Officer &
Chief Investment Officer,
RenaissanceRe Holdings Ltd.

Stephen H. Weinstein
Senior Vice President
Chief Compliance Officer,
General Counsel & Secretary,
RenaissanceRe Holdings Ltd.

Managing Our Capital

Prudent capital management has always been a guiding principle at RenaissanceRe. Our strategy is to return excess capital to shareholders when the business environment is soft and we believe a return of capital would be beneficial to shareholders, and raise additional capital to take advantage of attractive opportunities. During 2006, we raised substantial new capital to maximize our participation in the hard market for catastrophe reinsurance and to refinance our debt at favorable rates.

Among our activities:

- We accessed over $360 million of underwriting capital through our joint ventures Tim Re and Starbound Re;
- We repaid $150 million of bank debt, which we had drawn down in the fourth quarter of 2005 in order to increase capital flexibility at our holding company; and
- We raised $300 million in December 2006 through a public offering of 6.60% Series D Preference Shares, which we principally used to redeem our 8.10% Series A Preference Shares and 8.54% Trust Preferred Capital Securities.

These transactions demonstrated our increasing dexterity in managing a range of sources and types of capital to support our underwriting activities.

Another favorable development during the year was the resolution of our negative outlook rating from A.M. Best which had been imposed following the catastrophe losses in both 2004 and 2005, as well as our management changes in 2005 and 2006. During this period we worked closely with the rating agencies on each of these issues. Although the losses were significant, they were within our modeled expectations, which was critical for maintaining our credibility. Moreover, we were pleased to receive an “Excellent” rating from Standard & Poor’s for enterprise risk management, which we understand has only been achieved by a small percentage of insurance and reinsurance companies globally.

CREDIT RATINGS

	S&P	A.M. Best	Moody's
Reinsurance [1]			
Renaissance Reinsurance	A+	A	A2
DaVinci	A	A	-
Top Layer Re	AA	A+	-
Renaissance Europe	-	A	-
Individual Risk [1]			
Glencoe	-	A-	-
Stonington	-	A-	-
Stonington Lloyds	-	A-	-
Lantana	-	A-	-
RenaissanceRe [2]	A-	bbb+	Baa1

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

During the past year, we also continued to invest in our infrastructure, further developing and improving our business and decision support technology. This has enabled our organization to respond quickly in implementing new ventures, such as the Tim Re and Starbound Re transactions, and to react to customer needs on short notice.

In addition, we created the position of Director of Compliance and formed a Controls and Compliance Committee whose primary function is to oversee and enhance the Company's control environment – an area of increasing importance. This management committee functions under the oversight of the Audit Committee of our Board of Directors.

Investment Management

Our investment portfolio performed well in 2006, returning approximately 6%. Given our concern regarding the shape of the yield curve and the level of credit spreads, we continued to maintain a conservative posture in our investment portfolio with respect to both duration and credit quality. The portfolio performed well against our benchmarks, even with our lower risk tolerance.

In our alternative investments, which account for approximately 5% of our portfolio, we have continued to reduce our investments in hedge funds. We maintain an active investment strategy for private equity, where our returns continue to be quite strong, returning over 26% for the year.

"During the past year, we continued to invest in our infrastructure, further developing and improving our business and decision support technology."

RISK PROTECTION AND DYNAMIC RISK MANAGEMENT - FRIEND OR FOE?

William I. Riker
President

Hurricane forecasters and prognosticators had their heyday during the first seven months of 2006, as the increased hurricane activity of 2004 and 2005 greatly raised the public's awareness of hurricane risk. Predictions of an imminent and dire hurricane season abounded, and fear persisted all along the Atlantic coast of the United States.

Yet, the 2006 season ended up being an average year for hurricane activity, and a below average year for hurricanes making landfall in the U.S. How can we understand these missed predictions and how will they impact predictions in the future?

Dynamic Risk Management and Seasonal Hurricane Forecasting

2006 can be considered the first year in which insurance and reinsurance companies practiced a version of dynamic risk management in conjunction with seasonal hurricane predictors of risk. The result of this first unknowing experiment was that those companies that chose not to heed the forecasts ended up better off than those who took the warnings as binary predictions, or given outcomes. Moreover, reinsurance companies that reacted to the warnings and avoided the risk may have, in some cases, been perceived as unresponsive to their clients' needs. Obviously, this outcome would not entice companies to embrace short term forecasts in the future.

In order to navigate our way through this new world of forecasting, it is helpful to review the history of seasonal hurricane predictions.

Just as the basic science of catastrophe modeling did not emerge until the mid-80's, seasonal predictions of hurricane activity did not really start until then as well. Dr. William Gray of Colorado State University, a pioneer in hurricane forecasting, publicly released his first seasonal forecast in 1983. In the mid-90's, after a number of catastrophe based reinsurance companies were established in Bermuda, the Risk Prediction Initiative (RPI) was launched. It was sponsored by several of these new companies and managed through the Bermuda Biological Station for Research. RenaissanceRe was one of the original founders of the RPI.

The RPI provided funding to many of today's leading forecasters, such as Chris Landsea, Jim Elsner and Bill Gray. The RPI performed a series of studies in the area of forecasting, and those companies that participated became much better calibrated as to the true state of the art in hurricane risk forecasting. Some of the conclusions were:

1) Seasonal forecasting (2 - 9 months) is very complex and difficult, with most forecasts being statistical in nature. The direct link between the statistical factors and the physical process taking place within the atmosphere are often not completely understood.
2) There seems to be some skill in the ability to forecast basin wide trends (i.e. Atlantic basin), but most often the actual risks are tightly geographical in nature, which makes the damage correlation difficult to assess.
3) Some of the stronger correlations between factors, such as the North Atlantic Oscillation ("NAO"), which refers to a pattern of atmospheric variability over the North Atlantic, and the El Nino-Southern Oscillation ("ENSO"), do not themselves lend very well to credible seasonal forecasting. Consequently, forecasts for hurricane activity cannot be any better than their components.

In the end, we believe that although there is useful information in the seasonal forecasts, they did not have the geographic credibility that would cause us to significantly change our risk measures and ultimately impact the products we provide to our clients.

> "At RenaissanceRe, one of our highest corporate goals is to innovate in response to our changing understanding of risk and how we can better manage it."

After the hyperactive 2005 season, there emerged many different groups conducting seasonal hurricane forecasts. Our analysis indicated that most were using some derivative of the statistical forecasts originally devised by Bill Gray. Significant additional work had been done in many instances, but the basic science was similar. Though interesting, we did not see a credible basis for raising our rates due to short term forecasts. The storms of 2004 and 2005 did convince us that we are clearly in a decadal period of increased hurricane frequency, which is reflected in our risk models, but we are still a long way from incorporating into our client pricing models predictions regarding a specific number of storms that might make landfall in any given season.

What We See for the Future

So, practically speaking, what does this mean for the future of hurricane risk prediction?

1) We can expect that risk prediction will improve as numerical models, which attempt to simulate the complex physics of the atmosphere, grow increasingly robust.

2) We believe that over time, companies will evolve to manage risk more dynamically, as products and services become more influenced by predictions.

3) Analytics will be improved, both for those who assume risk and for those who transfer risk to others.

4) Conflicts will arise in the public policy arena, as near term projections can cause instability in markets. The current situation in Florida is a good example of this effect. The insurance markets increased their perception of risk, and as a result the state government has been drawn in to deal with the resulting consumer unrest due to the increase in pricing.

5) The issue of global warming adds an additional dimension to this complex situation. We will have to ask ourselves how well the past can be used to predict the future when climate change could make historical data less useful.

In the future, the skills required by all market participants will need to change and be upgraded from the current static view of risk. At RenaissanceRe, one of our highest corporate goals is to innovate in response to our changing understanding of risk and how we can better manage it.

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C. Eric Williford, Ph.D
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William W. Windle
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RenRe Investment Managers Ltd.

*Member of the Executive Committee

RenaissanceRe

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RenaissanceRe Holdings Ltd. and Subsidiaries

General information about the Company

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Additional requests can be directed to:

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Stock Information

The Company's stock is listed on The New York Stock Exchange under the symbol 'RNR'.

The following table sets forth, for the period indicated, the high and low closing prices per share of our common shares as reported in composite New York Stock Exchange trading.

Price Range of Common Shares

	2006		2005	
Period	**High**	**Low**	**High**	**Low**
First Quarter	$48.48	$41.75	$51.83	$46.20
Second Quarter	48.66	41.28	49.24	43.32
Third Quarter	56.15	46.89	49.40	42.16
Fourth Quarter	60.50	54.28	47.30	36.55

Certifications

The Chief Executive Officer and Chief Financial Officer have certified in writing to the Securities and Exchange Commission (SEC) as to the integrity of the Company's financial statements included in this Annual Report in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 filed with the SEC and as to the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting. The certifications are filed as Exhibit 31 to the said Form 10-K. The Chief Executive Officer has also certified to the New York Stock Exchange in 2006 that he is not aware of any violation by the Company of the New York Stock Exchange corporate governance listing standards.

Independent Auditors

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Hamilton, Bermuda

Transfer Agent

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