RENAISSANCERE HOLDINGS LTD
Form 424B5
December 11, 2006
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Registration No. 333-117318

The information in this preliminary prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 11, 2006

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 3, 2004)

SHARES

RENAISSANCERE HOLDINGS LTD.

% SERIES D PREFERENCE SHARES

$25 PER SHARE

We are selling of our preference shares, par value $1.00 per share.

Upon liquidation, dissolution or winding up, the holders of the preference shares will be entitled to receive from our assets legally available for distribution to shareholders a liquidation preference of $25 per share, plus accrued and unpaid dividends, if any, to the date fixed for distribution. Dividends on the preference shares will be cumulative from the date of original issuance and will be payable when, as and if declared by our Board of Directors, quarterly in arrears on the first day of March, June, September, and December of each year, commencing March 1, 2007 in an amount per share equal to % of the liquidation preference per annum (equivalent to $ per share).

On and after December , 2011, we may redeem the preference shares, in whole or in part, at any time at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption, without interest. We may not redeem the preference shares before December , 2011, except that we may redeem the preference shares before that date at a redemption price of $26 per share, plus accrued and unpaid dividends to the date of redemption, without interest, if we submit a proposal to our common shareholders concerning an amalgamation or submit any proposal for any other matter that requires, as a result of a change in Bermuda law, the approval of the holders of the preference shares, whether voting as a separate series or together with any other series of preference shares as a single class. The preference shares have no stated maturity and will not be subject to any sinking fund or mandatory redemption and will not be convertible into any of our other securities.

There is currently no public market for the preference shares. We intend to make an application to list the preference shares on the New York Stock Exchange under the symbol RNRPRD. If this application is approved, trading in the preference shares is expected to commence within a 30-day period after the initial delivery of the preference shares.

Investing in our preference shares involves certain risks. you are urged to carefully read the Risk Factors section beginning on page S-12 of this prospectus supplement, along with the other information in this prospectus supplement and the accompanying prospectus, before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	PER SHARE	TOTAL
Public Offering Price(1)	$ 25.0000	$
Underwriting Discount(2)	$	$
Proceeds to RenaissanceRe Holdings Ltd. (before expenses)	$	$

(1) Plus accrued dividends, if any, from the date of original issuance.

(2) Underwriting discount of $ per share will be paid by us, except that for sales to certain institutions, the discount will be $ per share.

The underwriters expect to deliver the preference shares to purchasers on or about December , 2006.

Citigroup **Wachovia Securities**

Merrill Lynch & Co. **Morgan Stanley** **UBS Investment Bank**

Banc of America Securities LLC **Deutsche Bank Securities** **HSBC**

December , 2006

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You should carefully read this prospectus supplement and the prospectus delivered with this prospectus supplement. You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are offering to sell, and seeking offers to buy, the preference shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only at the date of this prospectus supplement or the date of the accompanying prospectus, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of the preference shares.

Except as expressly provided in an underwriting agreement, no offered securities may be offered or sold in Bermuda and offers may only be accepted from persons resident in Bermuda, for Bermuda exchange control purposes, where such offers have been delivered outside of Bermuda. Persons resident in Bermuda, for Bermuda exchange control purposes, may require the prior approval of the Bermuda Monetary Authority in order to acquire any offered shares if the transfer would result in Bermudians owning more than 20% of our outstanding shares.

In this prospectus supplement, references to RenaissanceRe, we, us and our refer to RenaissanceRe Holdings Ltd. and, unless the context otherwise requires or as otherwise expressly stated, its subsidiaries. In this prospectus supplement, references to preference shares mean our % Series D Preference Shares. In this prospectus supplement, references to dollar and $ are to United States currency, and the terms United States and U.S. mean the United States of America, its states, its territories, its possessions and all areas subject to its jurisdiction.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. In addition, you should review the risks of investing in our preference shares discussed in this prospectus supplement prior to making an investment decision. We incorporate important information into this prospectus supplement and the accompanying prospectus by reference. You may obtain the information incorporated by reference into this prospectus supplement and the prospectus without charge by following the instructions under Where You Can Find More Information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this prospectus supplement or the accompanying prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, 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 wo import generally involve forward-looking statements. In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including the following:

- we are exposed to significant losses from catastrophic events and other exposures that we cover that may cause significant volatility in our financial results;
- the frequency and severity of catastrophic events could exceed our estimates and cause losses greater than we expect;
- risks associated with implementing our business strategies and initiatives, including risks relating to effecting our leadership transition;
- risks associated with executing our strategy in our specialty reinsurance and Individual Risk businesses, including the development of our infrastructure to support these lines;
- risks relating to our strategy of relying on program managers, third-party administrators, and other third parties to support our Individual Risk operations;
- 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;
- risks that the current governmental investigations or related proceedings involving us might impact us adversely, including as regards our senior executive team;
- the risk of the lowering or loss of any of our ratings or of one or more of our subsidiaries or changes in the policies or practices of the rating agencies;
- risks that we may require additional capital in the future, in particular after a catastrophic event, which may not be available or may be available only on unfavorable terms;

the inherent uncertainties in our reserving process, including those related to the 2005 catastrophes, which uncertainties we believe are increasing as we diversify into new product classes;

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

risks relating to the availability and collectibility of our reinsurance with respect to both our Reinsurance and Individual Risk operations;

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;

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

risks associated with appropriately modeling, pricing for, and contractually addressing new or potential factors in loss emergence, such as the possible trend toward significant global warming, or the potential for significant industry losses from a matter such as an avian flu pandemic, which could cause us to underestimate our exposures and potentially adversely impact our financial results;

we may be affected by increased competition, including from the new entrants formed following Hurricane Katrina, or from alternative sources of capital such as hedge funds, or in future periods by a decrease in the level of demand for our reinsurance or insurance products;

acts of terrorism, war or political unrest;

possible challenges in maintaining our fee-based operations, including risks associated with retaining our existing partners and attracting potential new partners;

a contention by the U.S. Internal Revenue Service that our Bermuda subsidiaries, including Renaissance Reinsurance Ltd., Glencoe Insurance Ltd. and Renaissance Investment Holdings Ltd., are subject to U.S. taxation;

loss of services of any one of our key executive officers, or difficulties associated with the transition of new members of our senior management team;

changes in economic conditions, including interest rate, currency, equity and credit conditions which could affect our investment portfolio;

sanctions against us, as a Bermuda-based company, by multinational organizations;

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;

risks due to our dependence on a few insurance and reinsurance brokers for a large portion of revenue, as an increasingly substantial portion of our business is provided by a small number of these brokers;

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;

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, the risk of increased global regulation of the insurance and reinsurance industry, and the risk that the Terrorism Risk Insurance Act of 2002 will not be renewed after 2007;

the passage of federal or state legislation subjecting Renaissance Reinsurance or our other Bermuda subsidiaries to supervision, regulation or taxation in the U.S. or other jurisdictions in which we operate; and operational risks, including system or human failures.

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RENAISSANCERE HOLDINGS LTD.

RenaissanceRe Holdings Ltd. is a Bermuda company with its registered and principal executive offices located at Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda, telephone (441) 295-4513. Through our operating subsidiaries, we seek to obtain a portfolio of reinsurance, insurance and financial risks in each of our businesses that is significantly better than the market average and produces an attractive return on equity.

We conduct our business through two reportable segments, Reinsurance and Individual Risk. For the year ended December 31, 2005, our Reinsurance and Individual Risk segments accounted for approximately 64.0% and 36.0%, respectively, of our total consolidated gross premiums written. We believe that we are one of the world s largest writers of property catastrophe reinsurance based on gross managed premiums written. Overall, our strategy focuses on superior risk selection, active capital management, superior utilization of risk management and information systems, the development and enhancement of a high performance and ethical culture and our commitment to our clients and joint venture partners.

THE OFFERING

The description of the terms of the preference shares in this section is a summary of the terms of the preference shares. Because the following summary is not complete, you should refer to the Certificate of Designation, Preferences and Rights relating to the preference shares and our Amended and Restated Bye-Laws for a complete description of the terms of the preference shares. You should also refer to the sections entitled Description of Series D Preference Shares in this prospectus supplement and Description of Our Capital Shares in the accompanying prospectus.

Issuer	RenaissanceRe Holdings Ltd.
Securities Offered	% Series D Preference Shares.
Dividends	Dividends on the preference shares will be cumulative from the date of original issuance and will be payable when, as and if declared by our Board of Directors, quarterly in arrears on the first day of March, June, September, and December of each year (or, if this date is not a business day, on the business day immediately following this date), commencing March 1, 2007, in an amount per share equal to % of the liquidation preference per annum (equivalent to $ per share). See Description of Series D Preference Shares Dividend Rights in this prospectus supplement and Description of Our Capital Shares Dividends in the accompanying prospectus.
	We believe that dividends paid on preference shares will qualify as qualified dividend income if, as is intended, we successfully list the preference shares on the New York Stock Exchange. Qualified dividend income is subject to tax at long-term capital gain rates (generally 15%) in taxable years beginning on or before December 31, 2010. For further information, see Certain Tax Considerations Taxation of Shareholders United States Taxation of U.S. Shareholders Qualified Dividend Income.
Liquidation Rights	

Upon liquidation, the holders of the preference shares will be entitled to receive from our assets legally available for distribution to shareholders a liquidation preference of $25 per share, plus accrued

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and unpaid dividends, if any, to the date of liquidation. See Description of Series D Preference Shares Liquidation Preference in this prospectus supplement and Description of Our Capital Shares Liquidation, Dissolution or Winding Up in the accompanying prospectus.

Conversion	The preference shares are not convertible into or exchangeable for any of our other securities.
Redemption	On or after December , 2011, we may redeem the preference shares, in whole or in part, at any time, at a redemption price of $25 per share, plus accrued and unpaid dividends, if any, to the date of redemption, without interest. At any time prior to December , 2011, if we submit to the holders of our common shares a proposal for an amalgamation or submit any proposal for any other matter that requires, as a result of any changes in Bermuda law after the date of this prospectus supplement, for its validation or effectuation an affirmative vote of the holders of the preference shares at the time outstanding, whether voting as a separate series or together with any other series of preference shares as a single class, we have the option to redeem all of the outstanding preference shares at a redemption price of $26 per share, plus accrued and unpaid dividends, if any, to the date of redemption, without interest. In this prospectus supplement, references to a redemption of the preference shares mean a purchase of preference shares pursuant to Section 42A of the Companies Act 1981 of Bermuda, and the terms redeem and redeemable are to be interpreted accordingly. The preference shares have no stated maturity and will not be subject to any sinking fund or mandatory redemption. See Description of the Series D Preference Shares Redemption in this prospectus supplement and Description of Our Capital Shares Redemption and Description of Our Capital Shares Restrictions in Event of Default in Dividends on Preference Shares in the accompanying prospectus.
Voting Rights	Generally, the holders of the preference shares will not have any voting rights. Whenever dividends on the preference shares are in arrears in an amount equivalent to dividends for six full dividend periods (whether or not consecutive), the holders of the preference shares, together with the holders of all other current or future classes or series of shares that are on a par with the preference shares (excluding, however, our 8.10% Series A Preference Shares, as described under Description of Series D Preference Shares Voting Rights , which we intend to redeem as soon as practicable following the completion of this offering), will vote together as a single class to elect two directors until such dividend arrearage is eliminated. If this voting right is triggered, we will use our best efforts to obtain the election or appointment of these two directors, including, if necessary, by using our best efforts to increase the number of directors constituting the Board of Directors and to amend our Bye-Laws. In addition, certain transactions that would vary the

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rights of holders of the preference shares cannot be made without the approval in writing of the holders of three-quarters of the preference shares then outstanding or the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the preference shares. See Description of Series D Preference Shares Voting Rights in this prospectus supplement, and Description of Our Capital Shares Voting Rights in the accompanying prospectus.

Ranking	The preference shares will rank senior to our common shares and pari passu to our 8.10% Series A Preference Shares, our 7.30% Series B Preference Shares and our 6.08% Series C Preference Shares with respect to payment of dividends and amounts upon liquidation, dissolution or winding up but junior to our existing and future indebtedness, including our junior subordinated debentures. Currently, there are outstanding 6,000,000 Series A Preference Shares with an aggregate liquidation preference of $150,000,000, 4,000,000 Series B Preference Shares with an aggregate liquidation preference of $100,000,000 and 10,000,000 Series C Preference Shares with an aggregate liquidation preference of $250,000,000. We may issue securities that rank on a par with or senior to the preference shares without limitation. We intend to redeem all of the outstanding Series A Preference Shares as soon as practicable following completion of this offering. See Description of Series D Preference Shares Dividend Rights, Description of Series D Preference Shares Liquidation Preference and Description of Series D Preference Shares Ranking in this prospectus supplement, and Description of Our Capital Shares Dividends and Description of Our Capital Shares Liquidation, Dissolution or Winding Up in the accompanying prospectus.
Capital Replacement	In connection with any redemption or repurchase of preference shares, to the extent that the preference shares provide us equity credit from a nationally recognized statistical rating organization (as designated by the Securities and Exchange Commission or as defined under the Securities Exchange Act of 1934, as amended) at the time of any such redemption or repurchase, we intend to redeem or repurchase (or to cause such action with respect to) the liquidation preference of the preference shares with amounts that include net proceeds received by us from the sale or issuance, during the 180-day period prior to the notice date for such action, to third-party purchasers of securities that would provide at least as much equity credit from these rating organizations as the preference shares at that time. The determination of the equity credit of the preference shares may result in the issuance of an amount of new securities that may be less than the liquidation preference of the preference shares, depending upon, among other things, the nature of the new securities issued and the equity credit attributed by these rating organizations to the preference shares and the new securities.

Limitations on Transfer and Ownership	Our Bye-Laws provide that no person may own or control more than 9.9% of the voting rights attached to all of our issued and outstanding shares (including preference shares) or vote any shares in excess of this 9.9% limit. Our Board of Directors, in its sole and absolute discretion, may waive these ownership and voting restrictions. See Description of the Series D Preference Shares Limitations on Transfer and Ownership and Certain Tax Considerations Taxation of Shareholders in this prospectus supplement and Description of Our Capital Shares Transfer of Shares and Certain Tax Considerations Taxation of Shareholders in the accompanying prospectus.
NYSE Listing	We intend to make an application to list the preference shares on the New York Stock Exchange. If this application is approved, trading in the preference shares is expected to commence within a 30-day period after the initial delivery of the preference shares. See Underwriting.
Ratings	The preference shares have been assigned ratings of by Moody s Investors Service, Inc. and by Standard & Poor s Rating Services. These ratings have been obtained with the understanding that Moody s and Standard & Poor s will continue to monitor our credit rating and will make future adjustments to the extent warranted. A rating reflects only the view of Moody s and Standard & Poor s, as the case may be, and is not a recommendation to buy, sell, or hold the preference shares. There is no assurance that any such rating will be retained for any given period or time or that it will not be revised downward or withdrawn entirely by Moody s or Standard & Poor s, as the case may be, if, in their respective judgments, circumstances so warrant.
Use of Proceeds	We currently anticipate using the net proceeds from this offering (i) to redeem all of the outstanding 8.10% Series A Preference Shares as soon as practicable following completion of this offering and (ii) to redeem all of the outstanding 8.54% Junior Subordinated Deferrable Interest Debentures on or as soon as practicable after March 1, 2007. Additional remaining net proceeds from this offering, if any, will be used for general corporate purposes.

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RATIO OF EARNINGS TO COMBINED FIXED

CHARGES AND PREFERENCE SHARE DIVIDENDS

For purposes of computing the following ratio, earnings consist of pre-tax income from continuing operations before adjustment for minority interest in consolidated subsidiaries or undistributed income from equity method investees, plus fixed charges to the extent that these charges are included in the determination of earnings. Fixed charges consist of interest costs plus preference dividends and one-third of minimum rental payments under operating leases (estimated by our management to be the interest factor of these rentals).

	Nine Months Ended September 30,	Fiscal Year Ended December 31,				
	2006	2005	2004	2003(1)	2002(1)	2001(1)
Ratio of Earnings to Combined Fixed Charges and Preference Share Dividends	12.63x	(5.98)x	2.54x	16.08x	12.57x	12.95x

The ratio set forth above does not reflect the issuance of the Series D Preference Shares or the anticipated redemption of all of the outstanding 8.10% Series A Preference Shares and 8.54% Junior Subordinated Deferrable Interest Debentures.

(1) These ratios update and replace the ratios of earnings to combined fixed charges and preference share dividends for the fiscal years ended December 31, 2003, 2002 and 2001 set forth in the accompanying prospectus under Ratio of Earnings to Fixed Charges and Preference Share Dividends of RenaissanceRe.

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RISK FACTORS

Your investment in the preference shares will involve a degree of risk, including those risks that are described in this section. You should carefully consider the following discussion of risks before deciding whether an investment in the preference shares is suitable for you. These risk factors update and replace the risk factors identified in the accompanying prospectus under the caption Risk Factors.

RISKS RELATING TO RENAISSANCERE

Our exposure to catastrophic events could cause our financial results to vary significantly from one period to the next, and the frequency and severity of catastrophic events could exceed our estimates

Our largest product based on total gross premiums written is property catastrophe reinsurance. We also sell lines of specialty reinsurance and certain Individual Risk products that are 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, results of operations and cash flows. Our ability to write new business could also be affected. We believe that increases in the value and geographic concentration of insured property and the effects of inflation will continue to 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 relatively more severe net negative impacts than our competitors.

During 2005 we experienced $891.9 million of net negative impact from Hurricanes Katrina, Rita and Wilma. Principally as a result of these hurricane losses in 2005, we recorded a net loss attributable to common shareholders of $281.4 million. In 2004 we recorded $570.2 million of net negative impact from Hurricanes Charley, Frances, Ivan and Jeanne. While 2006 has thus far not been characterized by landfalling windstorm events resulting in material industry losses, we believe, and recent scientific studies have indicated, that the frequency of hurricanes has increased and may further increase in the future relative to the historical experience over the past 100 years. We have adjusted our risk management models to reflect our judgment of how to interpret these studies. However, it is possible that, even after these adjustments, we have underestimated the frequency of hurricanes or other catastrophes.

We may fail to execute our strategy in our newer lines of business, which would impair our future financial results

Historically, our principal product has been property catastrophe reinsurance. Our specialty reinsurance and Individual Risk lines of business present us with new and expanded challenges and risks which we may not manage successfully. We are not as experienced in these lines of business as we are in property catastrophe reinsurance; for example, we are continuing to expand our claims 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, develop and install management information and other systems, as well as taking numerous other steps to implement our strategies. Our specialty reinsurance and Individual Risk businesses also 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.

Our expansion into these newer lines of business 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 effectively manage this expansion may impair our future financial results.

In general, our techniques for evaluating catastrophe risk are much better developed than those for other classes of risk. In addition, our models are not currently structured to seek to predict long-term climate changes, such as those that might be caused by the possible trend toward significant global warming. Moreover, our models and databases may not adequately address the emergence of a variety of matters which might be deemed to impact certain of our coverages, such as the likelihood or potential severity of insured losses from an avian flu pandemic. Accordingly, our models may understate the exposures we are assuming and our financial results may be adversely impacted, perhaps significantly.

Our utilization of brokers, 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.

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.

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We could be adversely impacted by U.S. government authority investigation into non-traditional, or loss mitigation, (re)insurance products, as well as our restatement of our financial statements

We received a subpoena from the Securities and Exchange Commission (the SEC) in February 2005, a subpoena from the Office of the Attorney General of the State of New York (the NYAG) in March 2005, and a subpoena from the United States Attorney s Office for the Southern District of New York in June 2005, each of which relates to the industry-wide investigations into non-traditional, or loss mitigation, (re)insurance products. The subpoenas from the SEC and the United States Attorney s Office also relate to our business practice review and to our determination to restate our financial statements for the fiscal years ended December 31, 2003, 2002 and 2001. In addition, we understand that certain of our customers or reinsurers may have been asked to provide or have provided documents and information with respect to contracts to which we are a party in the framework of the ongoing industry-wide investigations.

We have cooperated with the SEC, the NYAG, and the United States Attorney s Office as to their investigations. A number of our current and former officers and employees have been interviewed and deposed in connection with these investigations. From time to time, the SEC and the United States Attorney s Office have requested information from us in connection with their investigations. It is possible that additional investigations or proceedings may be commenced against us and/or our current or former senior executives in connection with these matters, which could be criminal or civil. We are unable to predict the ultimate outcome of these ongoing investigations or the impact these investigations may have on our business, including as to our senior management team. These investigations could result in injunctive relief or penalties, require remediation, or otherwise impact us and/or our senior management team in a manner which may be adverse to the us, perhaps materially so.

On July 31, we announced that we have submitted an offer of settlement to the SEC to resolve the SEC s investigation, pursuant to which we will consent, without admitting or denying any wrongdoing, to entry of a final judgment enjoining future violations of certain provisions of the federal securities laws, pay disgorgement of $1 and a civil penalty of $15 million. We will also retain an independent consultant to review certain of our internal controls, policies and procedures as well as the design and implementation of the review conducted by independent counsel reporting to the non-executive members of our Board of Directors and procedures performed by our auditors in connection with their audit of our financial statements for the fiscal year ended December 31, 2004. The SEC staff has recommended this proposed settlement to the SEC Commissioners. Currently, the proposed settlement remains subject to approval by the SEC Commissioners and by the federal court in which the SEC s complaint against us will be filed. The amount of the monetary penalty discussed above has been provided for. We can give no assurances that the proposed settlement will receive the necessary approvals. If the proposed settlement is not approved, we could be subject to different or additional remedies, both monetary and non-monetary, which could adversely affect our business or financial statements, perhaps materially. The proposed settlement with the SEC, if ultimately approved, would not dispose of the other ongoing investigations, including that being conducted by the United States Attorney s Office for the Southern District of New York. In September 2006, the SEC filed an enforcement action in the United States District Court for the Southern District of New York against James N. Stanard, our former Chairman and Chief Executive Officer, Martin J. Merritt, our former controller, and Michael W. Cash, a former officer of RenaissanceRe charging Messrs. Stanard, Merritt and Cash with violations of federal securities laws, including securities fraud, and seeks permanent injunctive relief, disgorgement of ill-gotten gains, if any, plus prejudgment interest, civil money penalties, and orders barring each defendant from acting as an officer or director of any public company. While we have been advised by the SEC staff that the action filed against our former executives has not changed the position of the staff to support the proposed settlement with us, this ongoing matter could give rise to additional costs, distractions, or reputational impacts. We intend to continue to cooperate with the ongoing investigations.

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

Third party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Renaissance Reinsurance, certain operating subsidiaries of Glencoe Group Holdings Ltd., Top Layer Reinsurance

Ltd. and DaVinci Reinsurance Ltd. 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. Renaissance Reinsurance is rated A by A.M. Best, A+ by Standard & Poor s and A2 by Moody s Investor Services. Top Layer is rated AA by Standard & Poor s and A+ by A.M. Best. Glencoe Insurance is rated A- by A.M. Best. DaVinci is rated A by each of A.M. Best a Standard & Poor s. In October 2006, A.M. Best Co. affirmed the financial strength ratings and the issuer credit ratings of the operating subsidiaries of RenaissanceRe. These affirmations include the financial strength ratings of A (Excellent) and the issuer credit ratings of a of Renaissance Reinsurance and DaVinci; the financial strength ratings of A- (Excellent) and the issuer credit ratings of a- of the operating subsidiaries of Glencoe Group. All ratings have been removed from under review and assigned a stable outlook. Our ratings are subject to periodic review and may be revised or revoked, by the agencies which issue them. In addition, following the higher levels of hurricane frequency in 2004 and 2005, we understand that the rating agencies may review whether or not to require insurance and reinsurance companies that retain catastrophe risk, such as ourselves, to hold a higher level of capital to support this risk, if the insurance or reinsurance companies are to maintain their ratings.

While the ratings of Renaissance Reinsurance remain among the highest in our business, negative ratings actions in the future could have an adverse effect on our ability to fully realize the market opportunities we currently expect to participate in over coming periods. In addition, it is increasingly common for our reinsurance contracts to contain provisions permitting our clients to cancel coverage pro-rata if our relevant operating subsidiary is downgraded below a certain rating level. Whether a client would exercise this right would depend, among other factors, on the reason for such a downgrade, the extent of the downgrade, the prevailing market conditions and the pricing and availability of replacement reinsurance coverage. Therefore, in the event of a further downgrade, it is not possible to predict in advance the extent to which this cancellation right would be exercised, if at all, or what effect such cancellations would have on the financial condition or future operations, but such effect potentially could be material. To date we are not aware that we have experienced such a cancellation.

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.

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 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 specialty reinsurance and Individual Risk operations are 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 property losses (which tend to be reported comparatively more promptly and to be settled within a relatively shorter period of time). For both our specialty reinsurance and Individual Risk operations, 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 that our actual net claims and claim expenses paid will 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.

Our estimates of losses from Hurricanes Katrina, Rita and Wilma, as well as the previously reported 2004 hurricanes and windstorms, are based on factors including currently available information derived from our preliminary claims information from clients and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of our contracts. Due to the size and unusual complexity of the legal and claims issues relating to these recent events, particularly Hurricane Katrina, meaningful uncertainty remains regarding total covered losses for the insurance industry and, accordingly, various of the key assumptions underlying our loss estimates. In addition, actual losses from these events may increase if our reinsurers or other obligors fail to meet their obligations to us. Our actual losses from these events will likely vary, perhaps materially, from these current estimates due to the inherent uncertainties in reserving for such losses, including the preliminary nature of the available information, the potential inaccuracies and inadequacies in the data provided by clients and brokers, the inherent uncertainty of modeling techniques and the application of such techniques, the effects of any demand surge on claims activity and complex coverage and other legal issues.

Unlike the loss reserves of U.S. insurers, the loss reserves of our Bermuda insurers, including Renaissance Reinsurance, DaVinci and Glencoe Insurance Ltd., are not regularly examined by insurance regulators, although, as registered Bermuda insurers, we are required to submit opinions of our approved loss reserve specialist with the annual statutory financial returns of our Bermuda-licensed insurers with regard to their respective loss and loss expenses provisions. The loss reserve specialist, who will normally be a qualified actuary, must be approved by the Bermuda Monetary Authority.

The reinsurance business is historically cyclical and the pricing and terms for our products may decline, which could affect our profitability

The reinsurance and insurance industries have been historically cyclical, characterized by periods of decreasing prices followed by periods of increasing prices. Reinsurers have experienced significant fluctuations in their results of operations due to numerous factors, including the frequency and severity of the 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.

As noted, changes in the pricing environment may result from 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 Hurricane Katrina and 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.

We expect premium rates and other terms and conditions of trade to vary in the future. If demand for our products fall 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.

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In addition, a substantial amount of capital has entered the insurance and reinsurance markets both through investments in established companies and through start-up ventures as described below in We operate in a highly competitive environment. Hedge funds have been increasingly active in the reinsurance market and markets for related risks. Generally, we expect this trend to increase over time. It is possible that such new or alternative capital in or affecting 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.

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

The SEC, the NYAG and the United States Attorney s Office for the Southern District of New York, 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.

We cannot predict the ultimate effect that these investigations, and any changes in industry practice, including future legislation or regulations that may become applicable to us, will have on the insurance industry, the regulatory framework, or 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.

Retrocessional reinsurance may become unavailable on acceptable terms

As part of our risk management, we buy reinsurance for our own account. This type of insurance when purchased to protect reinsurance companies 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 reinsurance. 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.

When we purchase reinsurance or retrocessional reinsurance for our own account, the insolvency, inability or reluctance of any of our reinsurers to make timely payments to us under the terms of our reinsurance agreements could have a material adverse effect on us. Generally, we believe that the willingness to pay of some reinsurers and retrocessionaires is declining, and that the overall industry ability to pay has also declined due to the adverse results of 2005 and 2004 and other factors. This risk is more material to us at present than at most times in the past given the substantial retrocessional claims to which we are entitled following the recent large catastrophe loss events of 2005 and 2004. At September 30, 2006, we had recorded $394.3 million of reinsurance recoverables, net of a valuation allowance of $18.2 million for uncollectible recoverables. In addition, approximately $218.1 million of our outstanding recoverables as of that date are with three ceding companies.

Emerging claim and coverage issues, or other litigation, could adversely affect us

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 so. 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 specialty reinsurance and Individual Risk operations, these legal, social and environmental changes may not become apparent until some time after their occurrence. For instance, we could be deemed liable for losses arising out of a matter, such as the potential for industry losses arising out of an Avian Flu pandemic that we had not anticipated or had attempted to contractually exclude. 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. Alternatively, potential efforts by us to exclude such exposures could, if successful, reduce the market s acceptance of our related products. 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 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.

Beginning in July 2005, several putative class actions were filed in the United States District Court for the Southern District of New York in respect of RenaissanceRe. In December 2005, these actions were consolidated and in February 2006, the plaintiffs filed a Consolidated Amended Complaint, purportedly on behalf of all persons who purchased and/or acquired the publicly traded securities of RenaissanceRe between April 22, 2003 and July 25, 2005. The Consolidated Amended Complaint, which was amended in December 2006, names as defendants, in addition to RenaissanceRe, current and former officers of RenaissanceRe (Messrs. Stanard, William I. Riker, John M. Lummis, Cash and Merritt) and alleges that RenaissanceRe and the other named defendants violated the U.S. federal securities laws by making material misstatements and failing to state material facts about our business and financial condition in, among other things, SEC filings and public statements. The Consolidated Amended Complaint, as amended, seeks compensatory damages without currently specifying an amount.

In June 2006, the defendants filed motions to dismiss the Consolidated Amended Complaint. On October 24, 2006, before those motions were ruled upon, counsel for the lead plaintiffs requested permission from the Court to move for leave to file a second amended complaint. On October 30, 2006, the defendants consented to that request. On December 4, 2006, a second amended complaint was filed with the Court. This complaint, if adversely determined or resolved, could subject us to a material loss. The proposed settlement with the SEC described above would not dispose of this private suit.

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 reinsurers. Many of our competitors have greater financial, marketing and management resources than we do. Market participants continue to raise and accumulate new capital, thereby strengthening their ability to compete. In addition, alternative sources of competitive capital, including hedge funds, are increasing the overall capacity in the industry. Increased capacity levels in our industry generally have led to increased competition.

We believe that our principal competitors in the property catastrophe reinsurance market include other companies active in the Bermuda market, including Ace Limited, Aspen Holdings Ltd., 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 AIG, Berkshire, 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 Reinsurance Ltd., Axis Capital Holdings Limited, Endurance Specialty Holdings Ltd., Montpelier Re Holdings Ltd. and Platinum Underwriters Holdings, Ltd. As our business

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evolves over time we expect our competitors to change as well. Following Hurricane Katrina in August 2005, a significant number of new reinsurance companies were formed in Bermuda which have resulted, in 2006, in new competition, which may well continue in subsequent periods. We believe there has been at least $7.5 billion of new capital that has been contributed to these new Bermuda-based reinsurance enterprises. In addition, we believe existing reinsurance companies raised in excess of $15 billion of new capital subsequent to Hurricane Katrina to rebuild their capital position and to capitalize on new opportunities. 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. In addition, we may not be aware of other companies that may be planning to enter the reinsurance market or of existing companies that may be planning to raise additional capital.

We also continue to experience a degree of competition from 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 believe activity in this sector has recently increased and may continue to increase. 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 or on more advantageous terms.

U.S. taxing authorities could contend that one or more of 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 Insurance Ltd., DaVinci or Top Layer Re is engaged in a trade or business in the U.S., Renaissance Reinsurance, Glencoe Insurance, 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 resis