

# Letter to Shareholders

Neill A. Currie  
President and Chief Executive Officer



## To Our Shareholders:

I am pleased to report that in 2007, RenaissanceRe recorded another successful year with excellent results. We improved our risk modeling and analytical tools. We strengthened our organization with new talent. We continued to strengthen the distinctive corporate culture that sets RenaissanceRe apart in driving value for our clients, shareholders and intermediaries.

We achieved this during a year impacted by stunning dislocations in the sub-prime mortgage securities and credit markets, which created potential liability exposures for insurers and reinsurers. RenaissanceRe was not immune to these events, but our exposure was manageable, evidenced by our solid financial results.

Our accomplishments were the result of a lot of hard work and the successful execution of a business strategy built on exceptional customer service, cutting-edge technology, prudent capital management, and disciplined underwriting.

We were fortunate this year to have avoided the brunt of the many natural disasters that materialized. We know that in this business we will have both good and bad years. We believe that the profits we accumulate during relatively benign years such as 2007 will see us safely through the inevitable times of higher claims payments, while still providing our shareholders with attractive long-term returns, which is our primary focus. Our increased financial strength and the actions we have taken to further enhance our operations in 2007 will be essential building blocks for rewarding our shareholders over time.

## **A Year of Strong Financial Performance**

Operating income was \$735 million, or \$10.24 per fully diluted share, while net income available to common shareholders was \$570 million, or \$7.93 per fully diluted share. Our net income and book value per share were adversely impacted by the reduction in the carrying value of ChannelRe, which I address later in this letter. Operating return on equity was 27%, among the highest in our industry, and tangible book value per share plus accumulated dividends increased over 18%. Over the past 10 years, which include the high-catastrophe

“Our strong returns this year further strengthened our balance sheet, and this was reflected in our ratings.”

Fred Donner, Chief Financial Officer

years of 2004 and 2005, our annual compounded growth in tangible book value per common share, plus accumulated dividends, has been over 17%. As we have emphasized over the years, our key financial objective is to build tangible book value per share, plus accumulated dividends, in excess of 15% over time. Achieving this is not easy and there will be years when we fall short, but over time, we believe that we can deliver on this goal.

I am pleased that our strong performance was recognized by the major credit rating agencies. A.M. Best upgraded its financial strength rating of Renaissance Reinsurance Ltd., our flagship reinsurance unit, to A+ (Superior) from A. Standard & Poor's also raised its credit rating of Renaissance Reinsurance to AA- from A+. Both rating agencies noted our strong level of capitalization, superior risk management, exceptional underwriting track record, as well as the depth and experience of our senior management team. We also maintained our “Excellent” rating for our Enterprise Risk Management (ERM) from Standard & Poor's; this is achieved by very few companies in our industry.

These upgrades restore RenaissanceRe to the high ratings we enjoyed prior to 2005 and reflect our place as a leader among reinsurers. I am proud that the contributions and strengths of our team have been recognized in this way.

### Reinsurance: Relationships and Results

In a year of increasing competition in our markets, we successfully built a very attractive portfolio of property catastrophe reinsurance. As always, we remained disciplined in our underwriting, and accordingly, gross premiums written declined approximately 7% from the prior year. The quality of the book was a function of our strong client and intermediary relationships, our superior risk-modeling technology and the judgment of our experienced team.

### Credit Ratings

	A.M. Best	S&P	Moody's	Fitch
<b>Reinsurance Segment <sup>1</sup></b>				
Renaissance Reinsurance	A+	AA-	A2	A
DaVinci	A	A+	-	-
Top Layer Re	A+	AA	-	-
Renaissance Europe	A+	-	-	-
<b>Individual Risk Segment <sup>1</sup></b>				
Glencoe	A-	-	-	-
Stonington	A-	-	-	-
Stonington Lloyds	A-	-	-	-
Lantana	A-	-	-	-
<b>RenaissanceRe <sup>2</sup></b>	<b>a-</b>	<b>A</b>	<b>Baa1</b>	<b>BBB+</b>

<sup>1</sup> The A.M. Best, S&P, Moody's and Fitch ratings for the companies in the Reinsurance and Individual Risk segments reflect the insurer's financial strength rating.

<sup>2</sup> The A.M. Best, S&P, Moody's and Fitch ratings for RenaissanceRe represent the credit ratings on its senior unsecured debt.

It would be difficult to overstate the importance of our strong client relationships. Clients appreciate our commitment to service and our consistent exposure-based pricing. Most importantly, they value working over time with our underwriters, who are industry experts and empowered to make decisions. Although we avoid risks that we believe do not offer adequate return, our clients know we will work closely with them to find a way to meet their coverage requirements at mutually agreeable terms.

At the January 2008 renewal season, we enjoyed the continued support of our clients once again, providing us the opportunity to build another strong book of business. Although overall market pricing has come down due to excess capacity, the strength of our relationships and the discipline of our underwriters have enabled us to start off the new year on sound footing.

As I mentioned, 2007 was a year without a major U.S. event. Despite windstorms in Europe, flooding in the U.K. and Australia, earthquakes in Asia and wildfires in

California, some of which impacted our results, our focus continued to be the large market for hurricane coverage in the United States, where no major hurricanes made landfall.

Still, according to our research, we remain in a period of increased hurricane frequency and severity. For the first time in recorded history, during the year there were two Category 5 hurricanes making landfall in the Atlantic basin within the same season. They struck remote areas causing little economic loss, although we recognize the destruction they unfortunately caused to those living in their path.

In our specialty reinsurance unit, we continued to experience heavy competition in many of our specialty lines as reinsurers throughout the industry sought to diversify away from U.S. hurricane coverage. Nonetheless, we grew our book by over 29% as a result of one attractive large quota share transaction. The specialty book is a volatile one with respect to both premium and losses. Here as elsewhere, we remain consistent in only writing business offering an appropriate expected return for the risk we assume.

From a profitability standpoint, our casualty clash reinsurance business was affected by the sub-prime mortgage crisis that unfolded mid-year. The losses, largely from underlying professional lines such as Directors & Officers and Errors & Omissions, were within our potential outcome range, and are manageable.

We expect competition to remain vigorous and to impact our specialty reinsurance activity in 2008. We will continue to pursue our strategy of discipline while being opportunistic during market dislocations.

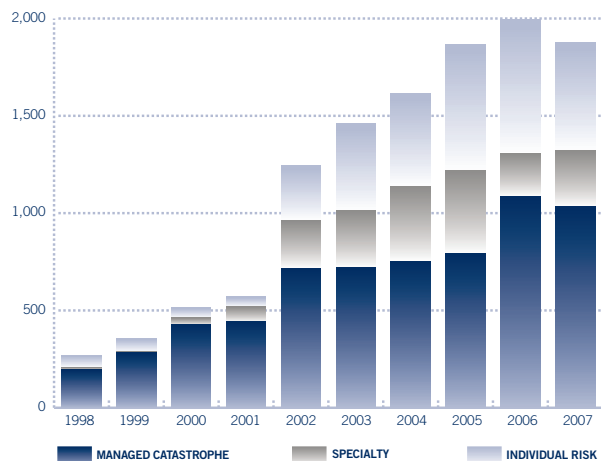
### **New Developments in Individual Risk**

Our Individual Risk segment, which writes primary insurance as well as quota share reinsurance, met our expectations and in some cases exceeded them, despite softening market conditions in several business areas.

“After a loss, tensions often increase between counterparties in the reinsurance business. Almost without exception, our relationships are stronger after a loss, because of our willingness and ability to pay claims promptly.”

Kevin O'Donnell, President,  
Renaissance Reinsurance Ltd.

**Gross Managed Premiums Written by Line (\$ millions)**



“Many of our relationships exceed five years and strengthen over time; that makes quite a difference in a competitive market.”

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

This solid performance resulted from numerous factors: disciplined underwriting from our program partners, our decision to emphasize lines of business that tend to hold up better in softening conditions, further improvements in our technology, and low insured catastrophe activity.

Underwriting discipline led us to write approximately 19% less premium than in 2006. We reduced our exposure to catastrophe-related personal lines in the Florida homeowners market and transferred some catastrophe-related quota share reinsurance to our Reinsurance segment. We reduced commercial property earthquake coverage in California, where pricing declined precipitously during the year. In addition, we decided not to renew a large commercial quota share transaction, which was performing below our underwriting standards.

Despite our decision to reduce our book, we continued to build excellent relationships with our program managers, adding one new property program and one new property and casualty program during the year. We expect to see the benefits of these programs coming through in 2008.

Just as client relationships are critical to our success, so is our risk modeling technology. Since our founding, RenaissanceRe has been a pioneer in using sophisticated analytical tools to select the best risks. This year, we continued to devote significant resources to our proprietary systems and technology, including in our Individual Risk operations. In particular, our growing

team of experts in this unit focused on refining analysis of risks and exposures further, using both our large base of internally-generated data and information available from external sources. As a result, we believe we were able to price exposures more precisely than ever, increasing retention of those risks we found most attractive. These improved capabilities greatly assisted our marketing efforts, enabling us to target clients whose business we found most desirable.

In 2007, we invested in the people, technology and infrastructure necessary for our continued growth and efficiency. These efforts will continue in 2008.

**Added Value from Our Ventures Unit**

RenaissanceRe has earned a reputation for innovation, whether by expanding capacity in the conventional insurance and reinsurance marketplace or by helping develop new ways to mitigate loss.

For several years, our Ventures unit has done an outstanding job of leveraging RenaissanceRe’s expertise to provide the market needed capacity. The unit’s Joint Ventures, Venture Capital and Capital Markets groups have focused on managing both catastrophe and non-catastrophe joint ventures, as well as exploring investment opportunities and structuring innovative products for investors in the catastrophe marketplace. This year, we broadened the Ventures unit to include

“We provide capital to our clients. While most of this capital is provided in the form of reinsurance contracts, our clients also need capital in other forms. We are well positioned to respond to those needs and have a proven capability to execute.”

Jay Nichols, President, RenaissanceRe Ventures Ltd.

Renaissance Trading Ltd., which develops and trades financial products based in large part on our climatological forecasting capabilities and our understanding of particular commodity markets. WeatherPredict Consulting Inc., which provides forecasting for hurricane and other atmospheric events to a wide range of external end-users, as well as to our own organization, also became part of our Ventures unit.

Our success at innovation has earned RenaissanceRe the reputation as a financial gateway for capital providers who wish to take advantage of the catastrophe market through a range of vehicles that suit their investment parameters and risk appetite.

Achievements in 2007 included the creation of Starbound Re II, a fully collateralized “sidecar” that enabled us to provide approximately \$375 million in new reinsurance capacity for the Atlantic hurricane-exposed market. This venture demonstrated once again our ability to respond effectively to our clients’ needs.

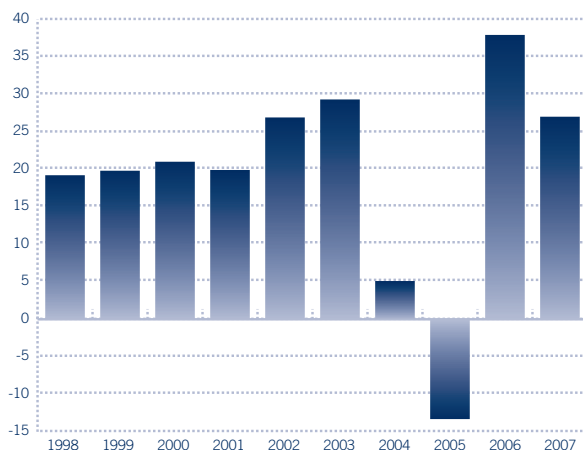
We also successfully completed the life cycle of Tim Re and Starbound, two sidecars we created in 2006, which generated excellent returns for their investors, including RenaissanceRe.

Our 21%-owned DaVinci joint venture, established in 2001, had a strong year and investors benefited from very attractive returns. DaVinci has grown to be a sizeable company in its own right, with over \$1 billion of capital.

Top Layer Re, our 50%-owned joint venture serving the non-U.S. market and targeting higher layers than either Renaissance Reinsurance or DaVinci, had another great year, its ninth consecutive year without a loss.

The strong returns we generated from these various vehicles offset losses related to our investment in ChannelRe Holdings Ltd. Volatility in the debt markets led to mark-to-market charges from ChannelRe’s financial guaranty contracts, accounted for as derivatives under generally accepted accounting principles, which exceeded our carrying value in this entity. Accordingly, in the fourth quarter we reduced our 33% share in ChannelRe to a carrying value of zero. We have no further financial contractual obligations and no further negative economic exposure. Our ability to manage this event and still generate solid fourth quarter profits reflects our financial discipline, and demonstrates that how you assume risk is often as important as the type of risk you assume.

Operating Return on Average Common Equity (%)



“We continue to be pleased with the risk-return profile of our portfolio, and with the attractiveness of the opportunities we are seeing.”

Todd Fonner, Chief Risk Officer & Chief Investment Officer

### **Investments and Capital**

Despite the tumultuous year in the fixed-income markets, our overall investment portfolio returned approximately 7% with a low level of volatility. We entered the year conservatively positioned, with more than 90% of our investments in our fixed-income portfolio rated “AA” or better. Our investment portfolio had no significant exposure to sub-prime mortgages and CDOs, and this served us well. In fact, the rapid deterioration of market sentiment in the latter part of the year presented us with an opportunity to be slightly more aggressive and deploy a portion of our portfolio into highly rated, higher yielding securitized assets and corporate debt, where we believe we are being appropriately paid to take on somewhat higher levels of risk.

We continued to enjoy strong performance from our alternative investments. We generated returns of nearly 20% from our hedge fund investments and over 30% from our private equity portfolio. During the year, we continued to add to our private equity holdings and increased our hedge fund portfolio for the first time in several years, carefully selecting managers who could meet our stringent criteria.

Central to our capital management is our ongoing focus on maximizing shareholder value by returning capital to shareholders when this proves to be the best use of our resources, and raising capital when we see compelling business opportunities. This year, we elected to return

capital to shareholders through the repurchase of our shares, which were trading at prices that we found to be attractive. In 2007, our Board increased our standing repurchase authorization to permit the repurchase of up to \$500 million of common stock, and in 2007 we bought approximately \$200 million worth of shares using internally generated funds. We entered 2008 with a strong capital position, and have continued to buy back shares when prices have been attractive.

### **Risk Mitigation: Investing for the Future**

As part of our goal to help clients manage their risks comprehensively, we are committed to researching and developing risk mitigation techniques and raising awareness of the benefits of effective risk mitigation. We believe that fostering safer, more hurricane-resistant communities will not only contribute to reducing insurance premium costs over time, but will also ultimately save lives.

Our WeatherPredict Consulting group played a vital role in several projects in 2007 that advanced our Company’s focus on risk mitigation. First, we teamed up with Florida International University and the International Hurricane Research Center to create the “RenaissanceRe Wall of Wind”, a state-of-the-art testing facility that simulates the effects of hurricanes on buildings to improve housing construction practices and identify effective mitigation techniques. We have also funded the installation of a

“Understandably, policy-makers want to explore ways to make storm-vulnerable communities safer, in light of the devastation associated with severe storms. We believe the reinsurance industry should contribute to the search for forward-looking solutions.”

Steve Weinstein, Chief Compliance Officer, General Counsel & Secretary

network of hardened wind-stations providing reliable data for the “WindX” index. This is a parametric index for products based on wind-speeds, providing a novel solution for purchasers of hurricane-related damage insurance. In addition, we entered into an exciting project, alongside other partners, with INNOVENTIONS at Epcot® at the Walt Disney World® Resort to create an interactive weather installation. This experience will enable guests to see what it is actually like to be in the midst of a severe storm and will both entertain and educate them about the risks associated with weather such as hurricanes and tornadoes, and how to improve the protection of their homes. And, we are proud of a new loss mitigation product, invented by one of WeatherPredict Consulting’s scientists, based on vortex suppression, designed to reduce wind damage to buildings during hurricanes.

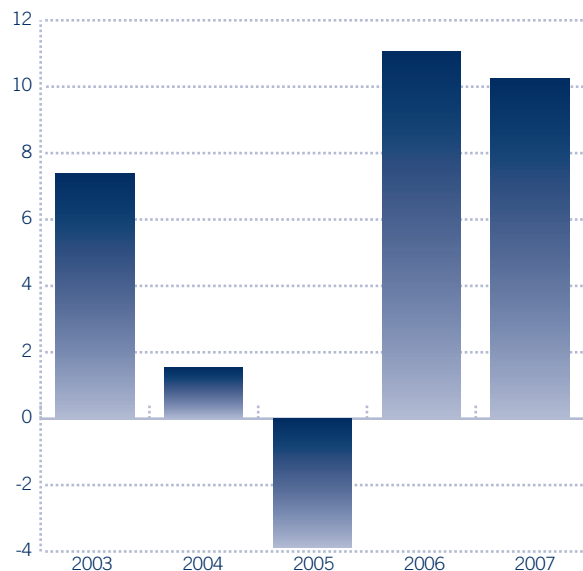
This year’s annual report features our work in the vital area of loss mitigation, immediately following this letter.

RenaissanceRe is also committed to better understanding the challenges of climate change and global warming. A dedicated team of professionals from across our organization has been studying these issues as they relate to our Company, our strategy, and the communities in which we live and work.

### People: Our Most Important Resource

RenaissanceRe has earned a reputation as a highly desirable place to work. We work hard to maintain a collegial, open environment where people learn from each other and are passionate about what they do. We continue to attract an exceptional caliber of qualified, talented employees, here in Bermuda and in our offices in Europe and the United States.

#### Operating Income (loss) per Share (\$)



“Our corporate culture is as strong as it has ever been despite rapid growth. This is a testament both to the strength of our organization and of our management team, as well as to the extraordinary passion that our employees have for the Company.”

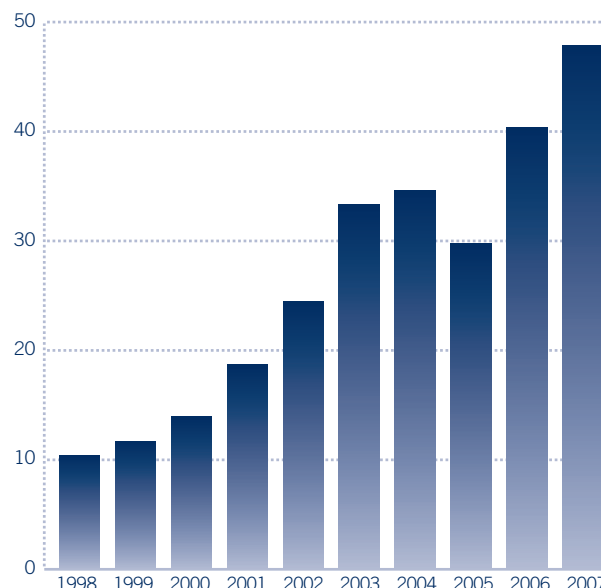
Peter Durhager, Chief Administrative Officer

In 2007, we continued to provide people at every level of the organization the ability to further develop their skills and knowledge base. Our Leadership Development Institute brought in high profile speakers from the worlds of business and science to inspire and broaden the outlook of our senior officers. Our company-wide “World Café” meetings provided a forum for learning and sharing for all members of our staff. More than 85% of our employees signed up for further development programs. Our formal mentoring program enabled employees to seek out relationships with professionals from across the organization to foster personal growth.

RenaissanceRe has been steadily growing, and in 2007 we brought in the additional capabilities and skills required to meet the needs of our expanding organization. We hired new people across the Company, and I am pleased with the success with which they have integrated into our culture, and with the overall cohesion and effectiveness of our team.

With mixed feelings, we also announced the retirement of William I. Riker, one of the chief architects of RenaissanceRe’s strategy and development. Over the years, Bill served in several senior positions at RenaissanceRe and contributed immeasurably to our success. We are glad Bill will have more time to spend with his family but we will miss his energy, contagious enthusiasm and insight. His influence will continue to be felt at RenaissanceRe.

**Tangible Book Value per Common Share plus Accumulated Dividends (\$)**



“Over the past ten years, we have grown tangible book value per common share plus accumulated dividends by over 17% on average.”

Fred Donner, Chief Financial Officer



## Confidence in the Future

As we begin 2008, the year of our 15th anniversary, we recognize the challenges that lie ahead: a softening market cycle, further potential turmoil in the financial markets, and increasing competition within the reinsurance space from capital markets. Initiatives such as state and federal programs for hurricane insurance may also affect our business. We have served the Florida market over the years with significant reinsurance capacity for risks not covered by the State's hurricane fund. While there has been an effort in Florida and elsewhere to move risk out of the private insurance market, the situation remains fluid and we continue to monitor it carefully.

Despite these challenges, I am confident that RenaissanceRe is well positioned to succeed in the current economic environment and respond to changes that will inevitably arise in the future. We will negotiate a soft market by staying true to our strategy of strict discipline, capital management, and superior marketing, focusing as we always have on long-term success rather than short-term gain. We will continue to lay the foundation for the future, through continued investments in people, relationships and technology.

## Outlook

As we focus on strengthening our position in existing businesses, we will also look to expand into new businesses where we can leverage our expertise. There will be increased demand for products that protect high value assets and communities against a wide range of natural and man-made disasters. We have the market position, balance sheet strength and expertise to meet these needs, and to build upon our superior long-term record of performance for our shareholders.

Sincerely,



Neill A. Currie  
President and Chief Executive Officer

## Message from the Chairman

W. James MacGinnitie

On behalf of the Board of Directors, I am pleased to join Neill in remarking on a strong year for RenaissanceRe. In a year of financial market turmoil, the Company exhibited its diversified earnings power. This was a testament to the efforts of our management team and employees to build on our strong franchise and to continually invest in the future.

RenaissanceRe's culture has always emphasized disciplined risk management, and we view rigorous, effective corporate governance as an important component of our overall risk management objectives. This year we revised and updated our governance policies, in keeping with our commitment to stay ahead of the changing environment in which we operate.

It is my privilege to recognize the outstanding service of Edmund B. Greene, Brian R. Hall, and Scott E. Pardee, longtime members of our Board who announced their intention to retire this year in conjunction with our Annual Shareholder Meeting, when their terms of service are scheduled to expire. Ed was a founding member of our Board, and Brian and Scott joined us soon thereafter. Each of them made substantial contributions to our Board and our Company.

During 2007, we welcomed Ralph B. Levy to our Board. Ralph has had a distinguished legal career as a counselor to financial service companies. I am also pleased to recognize our three nominees for election to our Board: David C. Bushnell, former Chief Administrative Officer and Senior Risk Officer of Citigroup Inc., James L. Gibbons, President and Chief Executive Officer of CAPITAL G Limited, a leading Bermuda financial services organization, and Anthony M. Santomero, former President of the Federal Reserve Bank of Philadelphia. At this complex and challenging time in our industry and our markets, we will be fortunate to draw on their expertise in finance, risk management, legal and regulatory matters.

Neill, myself, my fellow directors, and the entire RenaissanceRe team are grateful for the support we have received from our clients, partners, employees, and investors. We look forward to serving you in the future.

Sincerely,



W. James MacGinnitie  
Chairman of the Board