

RENAISSANCERE HOLDINGS LTD
Form 10-Q
October 30, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**
For The Quarterly Period Ended September 30, 2008

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**
For the transition period from _____ to _____

Commission File No. 001-14428

RENAISSANCERE HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

Bermuda **98-014-1974**
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)
Renaissance House, 8-20 East Broadway, Pembroke HM 19 Bermuda
(Address of principal executive offices)
(441) 295-4513
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer , Accelerated filer , Non-accelerated filer , Smaller reporting company .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of RenaissanceRe Holdings Ltd.'s common shares, par value US \$1.00 per share, as of October 23, 2008 was 61,400,503.

Total number of pages in this report: 66

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RenaissanceRe Holdings Ltd.

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(in thousands of United States Dollars)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Fixed maturity investments available for sale, at fair value (Amortized cost \$3,627,763 and \$3,863,902 at September 30, 2008 and December 31, 2007, respectively)	\$ 3,645,294	\$ 3,914,363
Short term investments, at fair value	1,438,201	1,821,549
Other investments, at fair value	902,328	807,864
Investments in other ventures, under equity method	117,789	90,572
Total investments	6,103,612	6,634,348
Cash and cash equivalents	427,176	330,226
Premiums receivable	728,046	475,075
Ceded reinsurance balances	155,487	107,916
Losses recoverable	300,076	183,275
Accrued investment income	35,134	39,084
Deferred acquisition costs	114,038	104,212
Receivable for investments sold	368,313	144,037
Other secured assets	107,252	90,488
Other assets	178,163	171,457
Goodwill and other intangibles	71,942	6,237
Total assets	\$ 8,589,239	\$ 8,286,355
Liabilities, Minority Interest and Shareholders Equity		
Liabilities		
Reserve for claims and claim expenses	\$ 2,433,420	\$ 2,028,496
Reserve for unearned premiums	757,624	563,336
Debt	450,000	451,951
Reinsurance balances payable	360,829	275,430
Payable for investments purchased	545,100	422,974
Other secured liabilities	106,420	88,920
Other liabilities	195,071	162,294
Total liabilities	4,848,464	3,993,401
Commitments and Contingencies		
Minority Interest - DaVinciRe	699,534	815,451
Shareholders Equity		
Preference shares	650,000	650,000
Common shares	61,401	68,920

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Additional paid-in capital		107,867
Accumulated other comprehensive income	16,544	44,719
Retained earnings	2,313,296	2,605,997
<i>Total shareholders equity</i>	3,041,241	3,477,503
<i>Total liabilities, minority interest and shareholders equity</i>	\$ 8,589,239	\$ 8,286,355

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Operations****For the three and nine months ended September 30, 2008 and 2007**

(in thousands of United States Dollars, except per share amounts)

(Unaudited)

	Three months ended		Nine months ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Revenues				
Gross premiums written	\$ 239,806	\$ 208,821	\$ 1,574,419	\$ 1,687,410
Net premiums written	\$ 194,408	\$ 149,163	\$ 1,211,546	\$ 1,330,032
Decrease (increase) in unearned premiums	184,934	217,894	(146,717)	(241,903)
Net premiums earned	379,342	367,057	1,064,829	1,088,129
Net investment income	15,767	95,594	106,955	321,749
Net foreign exchange gains (losses)	3,448	(5,424)	8,153	(630)
Equity in earnings (losses) of other ventures	2,333	(23,986)	13,455	(3,610)
Other income (loss)	2,258	(10,008)	10,246	(17,709)
Net realized (losses) gains on investments	(87,610)	1,592	(122,441)	(5,889)
Total revenues	315,538	424,825	1,081,197	1,382,040
Expenses				
Net claims and claim expenses incurred	535,347	131,700	731,720	416,546
Acquisition expenses	54,231	63,719	154,272	186,957
Operational expenses	30,296	27,126	93,903	82,177
Corporate expenses	3,116	7,158	18,930	19,089
Interest expense	5,379	7,226	18,120	26,400
Total expenses	628,369	236,929	1,016,945	731,169
(Loss) income before minority interests and taxes	(312,831)	187,896	64,252	650,871
Minority interest - DaVinciRe	91,977	(43,820)	10,321	(110,326)
(Loss) income before taxes	(220,854)	144,076	74,573	540,545
Income tax benefit (expense)	455	(101)	(936)	(888)
Net (loss) income	(220,399)	143,975	73,637	539,657
Dividends on preference shares	(10,575)	(10,575)	(31,725)	(32,286)
Net (loss) income (attributable) available to common shareholders	\$ (230,974)	\$ 133,400	\$ 41,912	\$ 507,371
Net (loss) income (attributable) available to common shareholders per common share - basic	\$ (3.79)	\$ 1.89	\$ 0.66	\$ 7.14
Net (loss) income (attributable) available to common shareholders per common share - diluted (1)	\$ (3.79)	\$ 1.85	\$ 0.65	\$ 7.02

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Dividends per common share	\$	0.23	\$	0.22	\$	0.69	\$	0.66
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- (1) In accordance with FAS 128, diluted earnings per share calculations use average common shares outstanding - basic, when in a net loss position.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****For the nine months ended September 30, 2008 and 2007**

(in thousands of United States Dollars)

(Unaudited)

	Nine months ended	
	September 30, 2008	September 30, 2007
Preference shares		
Balance - January 1	\$ 650,000	\$ 800,000
Repurchase of shares		(150,000)
Balance - September 30	650,000	650,000
Common shares		
Balance - January 1	68,920	72,140
Repurchase of shares	(8,064)	(1,627)
Exercise of options and issuance of restricted stock and awards	545	339
Balance - September 30	61,401	70,852
Additional paid-in capital		
Balance - January 1	107,867	284,123
Repurchase of shares	(129,428)	(86,603)
Exercise of options and issuance of restricted stock and awards	21,561	14,777
Balance - September 30		212,297
Accumulated other comprehensive income		
Balance - January 1	44,719	25,217
Net unrealized (losses) gains on securities, net of adjustment (see disclosure below)	(28,175)	4,432
Balance - September 30	16,544	29,649
Retained earnings		
Balance - January 1	2,605,997	2,099,017
Net income	73,637	539,657
Repurchase of shares	(290,914)	
Dividends on common shares	(43,699)	(47,435)
Dividends on preference shares	(31,725)	(32,286)
Balance - September 30	2,313,296	2,558,953
Total Shareholders' Equity	\$ 3,041,241	\$ 3,521,751
Comprehensive income (1)		

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Net income	\$ 73,637	\$ 539,657
Other comprehensive (loss) income	(28,175)	4,432
Comprehensive income	\$ 45,462	\$ 544,089
Disclosure regarding net unrealized (losses) gains		
Net unrealized holding losses arising during the year	\$ (150,616)	\$ (1,457)
Net realized losses included in net income	122,441	5,889
Net unrealized (losses) gains on securities	\$ (28,175)	\$ 4,432

- (1) Comprehensive loss was \$239.4 million for the three months ended September 30, 2008 compared to \$160.7 million of comprehensive income for the three months ended September 30, 2007.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RenaissanceRe Holdings Ltd. and Subsidiaries****Consolidated Statements of Cash Flows****For the nine months ended September 30, 2008 and 2007**

(in thousands of United States dollars)

(Unaudited)

	Nine months ended	
	September 30, 2008	September 30, 2007
<i>Cash flows provided by operating activities</i>		
Net income	\$ 73,637	\$ 539,657
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Amortization and depreciation	(1,408)	(10,819)
Net realized losses on investments	122,441	5,889
Equity in undistributed earnings of other ventures	6,900	19,912
Net unrealized losses (gains) included in investment income	104,031	(51,126)
Net unrealized losses (gains) included in other (loss) income	934	(9,776)
Minority interest in undistributed net (loss) income of DaVinciRe	(10,321)	110,326
Change in:		
Premiums receivable	(252,971)	(295,345)
Ceded reinsurance balances	(47,571)	(60,386)
Deferred acquisition costs	(9,826)	(35,253)
Reserve for claims and claim expenses, net	288,123	112,306
Reserve for unearned premiums	194,288	302,290
Reinsurance balances payable	85,399	(36,750)
Other	810	35,383
<i>Net cash provided by operating activities</i>	554,466	626,308
<i>Cash flows provided by (used in) investing activities</i>		
Proceeds from sales and maturities of investments available for sale	7,924,853	2,452,830
Purchases of investments available for sale	(7,903,037)	(2,512,081)
Net sales (purchases) of short term investments	383,348	(7,987)
Net purchases of other investments	(192,485)	(69,293)
Net (purchases) sales of investments in other ventures	(31,332)	33,623
Net purchase of subsidiaries	(76,631)	
<i>Net cash provided by (used in) investing activities</i>	104,716	(102,908)
<i>Cash flows used in financing activities</i>		
Dividends paid - common shares	(43,699)	(47,435)
Dividends paid - preference shares	(31,725)	(32,286)
RenaissanceRe common share repurchase	(428,406)	(88,230)
DaVinciRe share repurchase	(100,000)	
Third party DaVinciRe share repurchase	43,549	
Net (repayment) drawdown of debt	148,049	540
Redemption of 7.0% Senior Notes	(150,000)	

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Redemption of Series A preference shares		(150,000)
Redemption of capital securities		(103,093)
<i>Net cash used in financing activities</i>	(562,232)	(420,504)
<i>Net increase in cash and cash equivalents</i>	96,950	102,896
<i>Cash and cash equivalents, beginning of period</i>	330,226	214,399
<i>Cash and cash equivalents, end of period</i>	\$ 427,176	\$ 317,295

The accompanying notes are an integral part of these consolidated financial statements.

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RenaissanceRe Holdings Ltd. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(Expressed in U.S. Dollars) (Unaudited)

1. The consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States (GAAP) for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. The preparation of unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The major estimates reflected in the Company s consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses, losses recoverable, including allowances for losses recoverable deemed uncollectible, estimates of written and earned premiums, the fair value of other investments and financial instruments and the Company s deferred tax asset valuation allowance. This report on Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2007. RenaissanceRe Holdings Ltd. and Subsidiaries include the following principal entities:

RenaissanceRe Holdings Ltd. (RenaissanceRe or the Company), was formed under the laws of Bermuda on June 7, 1993. Through its subsidiaries, the Company provides reinsurance and insurance to a broad range of customers.

Renaissance Reinsurance Ltd. (Renaissance Reinsurance) is the Company s principal subsidiary and provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.

The Company also manages property catastrophe and specialty reinsurance business written on behalf of joint ventures, which principally include Top Layer Reinsurance Ltd. (Top Layer Re), recorded under the equity method of accounting, and DaVinci Reinsurance Ltd. (DaVinci). Because the Company owns a minority equity interest in, but controls a majority of the outstanding voting power of, DaVinci s parent, DaVinciRe Holdings Ltd. (DaVinciRe), the results of DaVinci and DaVinciRe are consolidated in the Company s financial statements. Minority interest represents the interests of external parties with respect to the net income (loss) and shareholders equity of DaVinciRe. Renaissance Underwriting Managers Ltd. (RUM), a wholly owned subsidiary, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.

The Company s Individual Risk operations include direct insurance and quota share reinsurance written through the operating subsidiaries of Glencoe Group Holdings Ltd. (Glencoe Group). These operating subsidiaries principally include Stonington Insurance Company (Stonington), which writes business on an admitted basis, and Glencoe Insurance Ltd. (Glencoe) and Lantana Insurance Ltd. (Lantana), which write business on an excess and surplus lines basis, and also provide reinsurance coverage, principally through quota share contracts, which are analyzed on an individual risk basis.

Certain comparative information has been reclassified to conform to the current presentation. Because of the seasonality of the Company s business, the results of operations and cash flows for any interim period will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

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2. The Company purchases reinsurance and other protection to manage its risk portfolio and to reduce its exposure to large losses. The Company currently has in place contracts that provide for recovery of a portion of certain claims and claim expenses from reinsurers generally in excess of various retentions or on a proportional basis. The Company remains liable to the extent that any third-party reinsurer or other obligor fails to meet its obligations. The earned reinsurance premiums ceded were \$315.3 million and \$297.0 million for the nine months ended September 30, 2008 and 2007, respectively. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for recoveries of additional premiums, reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to other reinsurance contracts. Total reinsurance recoveries netted against claims and claim expenses incurred for the nine months ended September 30, 2008 were \$151.0 million compared to \$96.7 million for the nine months ended September 30, 2007.
3. Basic earnings per common share is based on weighted average common shares and excludes any dilutive effects of stock options and restricted stock. Diluted earnings per common share assumes the exercise of all dilutive stock options and restricted stock grants, except when in a loss position, where Financial Accounting Standards Board (FASB) Statement No. 128, *Earnings per Share* (FAS 128) requires diluted earnings per share to be calculated using weighted average common shares - basic. The following tables set forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2008 and 2007:

Three months ended September 30, (in thousands of U.S. dollars, except share and per share data)	2008	2007
Numerator:		
Net (loss) income (attributable) available to common shareholders	\$ (230,974)	\$ 133,400
Denominator:		
Denominator for basic (loss) income per common share -		
Weighted average common shares	60,942,821	70,575,334
Per common share equivalents of employee stock options and restricted shares	751,296	1,369,570
Denominator for diluted (loss) income per common share -		
Adjusted weighted average common shares and assumed conversions (1)	61,694,117	71,944,904
Basic (loss) income per common share	\$ (3.79)	\$ 1.89
Diluted (loss) income per common share (1)	\$ (3.79)	\$ 1.85

- (1) In accordance with FAS 128, diluted earnings per share calculations use weighted average common shares - basic, when in a net loss position.

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Nine months ended September 30, (in thousands of U.S. dollars, except share and per share data)	2008	2007
Numerator:		
Net income attributable to common shareholders	\$ 41,912	\$ 507,371
Denominator:		
Denominator for basic income per common share -		
Weighted average common shares	63,130,576	71,038,195
Per common share equivalents of employee stock options and restricted shares	994,332	1,257,837
Denominator for diluted income per common share -		
Adjusted weighted average common shares and assumed conversions	64,124,908	72,296,032
Basic income per common share	\$ 0.66	\$ 7.14
Diluted income per common share	\$ 0.65	\$ 7.02

4. The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of \$0.23 per share to shareholders of record on each of March 14, 2008, June 13, 2008 and September 15, 2008.

The Board of Directors increased its authorized share repurchase program to \$500.0 million on May 20, 2008, of which \$382.4 million remained available at October 23, 2008. The Company repurchased \$428.4 million of shares during the nine months ended September 30, 2008. Future repurchases of common shares will depend on, among other matters, the market price of the common shares and the capital requirements of RenaissanceRe. See Part II, Item 2 Unregistered Sales of Equity Securities and Use of Proceeds for additional information.

5. The Company conducts its business through two reportable segments, Reinsurance and Individual Risk. The Company's Reinsurance segment provides reinsurance through its property catastrophe reinsurance and specialty reinsurance business units and through joint ventures and other activities managed by its ventures unit. Only ventures' business activities that appear in the Company's consolidated underwriting results, such as DaVinci and certain reinsurance transactions, are included in the Company's Reinsurance segment results. The Company's financial results relating to the operating subsidiaries managed by the ventures unit include the financial results of Weather Predict Inc., Weather Predict Consulting Inc., RenRe Investment Managers Ltd. (RIM) and Renaissance Trading Ltd. (Renaissance Trading) and are included in the Other category of the Company's segment results. Also included in the Other category of the Company's segment results are its investments in other ventures, including Top Layer Re, Starbound Reinsurance II Ltd., Tower Hill Holdings Inc. (Tower Hill), ChannelRe Holdings Ltd. (ChannelRe) and Platinum Underwriters Holdings Ltd. (Platinum).

The Company's Individual Risk segment provides primary insurance and quota share reinsurance.

The Company does not manage its assets by segment; accordingly, net investment income and total assets are not allocated to the segments.

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A summary of the significant components of the Company's revenues and expenses for the three and nine months ended September 30, 2008 and 2007 is as follows:

Three months ended September 30, 2008 (in thousands of U.S. dollars, except ratios)	Reinsurance	Individual Risk	Eliminations (1)	Other	Total
Gross premiums written	\$ 169,463	\$ 83,685	\$ (13,342)	\$	\$ 239,806
Net premiums written	\$ 129,229	\$ 65,179			\$ 194,408
Net premiums earned	\$ 251,058	\$ 128,284			\$ 379,342
Net claims and claim expenses incurred	423,568	111,779			535,347
Acquisition expenses	34,469	19,762			54,231
Operational expenses	20,602	9,694			30,296
Underwriting loss	\$ (227,581)	\$ (12,951)			(240,532)
Net investment income				15,767	15,767
Equity in earnings of other ventures				2,333	2,333
Other income				2,258	2,258
Interest and preference share dividends				(15,954)	(15,954)
Minority interest - DaVinciRe				91,977	91,977
Other items, net				787	787
Net realized losses on investments				(87,610)	(87,610)
Net loss attributable to common shareholders				\$ 9,558	\$ (230,974)
Net claims and claim expenses incurred - current accident year	\$ 454,187	\$ 117,157			\$ 571,344
Net claims and claim expenses incurred - prior accident years	(30,619)	(5,378)			(35,997)
Net claims and claim expenses incurred - total	\$ 423,568	\$ 111,779			\$ 535,347
Net claims and claim expense ratio - current accident year	180.9%	91.3%			150.6%
Net claims and claim expense ratio - prior accident years	(12.2)%	(4.2)%			(9.5)%
Net claims and claim expense ratio - calendar year	168.7%	87.1%			141.1%
Underwriting expense ratio	21.9%	23.0%			22.3%
Combined ratio	190.6%	110.1%			163.4%

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

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Three months ended September 30, 2007 (in thousands of U.S. dollars, except ratios)	Reinsurance	Individual Risk	Eliminations (1)	Other	Total
Gross premiums written	\$ 141,545	\$ 101,534	\$ (34,258)	\$	\$ 208,821
Net premiums written	\$ 91,112	\$ 58,051			\$ 149,163
Net premiums earned	\$ 242,520	\$ 124,537			\$ 367,057
Net claims and claim expenses incurred	67,335	64,365			131,700
Acquisition expenses	32,122	31,597			63,719
Operational expenses	16,301	10,825			27,126
Underwriting income	\$ 126,762	\$ 17,750			144,512
Net investment income				95,594	95,594
Equity in losses of other ventures				(23,986)	(23,986)
Other loss				(10,008)	(10,008)
Interest and preference share dividends				(17,801)	(17,801)
Minority interest - DaVinciRe				(43,820)	(43,820)
Other items, net				(12,683)	(12,683)
Net realized gains on investments				1,592	1,592
Net income available to common shareholders				\$ (11,112)	\$ 133,400
Net claims and claim expenses incurred - current accident year	\$ 83,104	\$ 68,755			\$ 151,859
Net claims and claim expenses incurred - prior accident years	(15,769)	(4,390)			(20,159)
Net claims and claim expenses incurred - total	\$ 67,335	\$ 64,365			\$ 131,700
Net claims and claim expense ratio - current accident year	34.3%	55.2%			41.4%
Net claims and claim expense ratio - prior accident years	(6.5)%	(3.5)%			(5.5)%
Net claims and claim expense ratio - calendar year	27.8%	51.7%			35.9%
Underwriting expense ratio	20.0%	34.1%			24.7%
Combined ratio	47.8%	85.8%			60.6%

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

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Nine months ended September 30, 2008 (in thousands of U.S. dollars, except ratios)	Reinsurance	Individual Risk	Eliminations (1)	Other	Total
Gross premiums written	\$ 1,100,984	\$ 479,351	\$ (5,916)	\$	\$ 1,574,419
Net premiums written	\$ 825,336	\$ 386,210			\$ 1,211,546
Net premiums earned	\$ 709,571	\$ 355,258			\$ 1,064,829
Net claims and claim expenses incurred	490,757	240,963			731,720
Acquisition expenses	78,495	75,777			154,272
Operational expenses	64,497	29,406			93,903
Underwriting income	\$ 75,822	\$ 9,112			84,934
Net investment income				106,955	106,955
Equity in earnings of other ventures				13,455	13,455
Other income				10,246	10,246
Interest and preference share dividends				(49,845)	(49,845)
Minority interest - DaVinciRe				10,321	10,321
Other items, net				(11,713)	(11,713)
Net realized losses on investments				(122,441)	(122,441)
Net income available to common shareholders				\$ (43,022)	\$ 41,912
Net claims and claim expenses incurred - current accident year	\$ 582,624	\$ 279,748			\$ 862,372
Net claims and claim expenses incurred - prior accident years	(91,867)	(38,785)			(130,652)
Net claims and claim expenses incurred - total	\$ 490,757	\$ 240,963			\$ 731,720
Net claims and claim expense ratio - current accident year	82.1%	78.7%			81.0%
Net claims and claim expense ratio - prior accident years	(12.9)%	(10.9)%			(12.3)%
Net claims and claim expense ratio - calendar year	69.2%	67.8%			68.7%
Underwriting expense ratio	20.1%	29.6%			23.3%
Combined ratio	89.3%	97.4%			92.0%

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

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Nine months ended September 30, 2007 (in thousands of U.S. dollars, except ratios)	Reinsurance	Individual Risk	Eliminations (1)	Other	Total
Gross premiums written	\$ 1,263,727	\$ 463,241	\$ (39,558)	\$	\$ 1,687,410
Net premiums written	\$ 995,686	\$ 334,346			\$ 1,330,032
Net premiums earned	\$ 723,286	\$ 364,843			\$ 1,088,129
Net claims and claim expenses incurred	221,990	194,556			416,546
Acquisition expenses	86,411	100,546			186,957
Operational expenses	50,943	31,234			82,177
Underwriting income	\$ 363,942	\$ 38,507			402,449
Net investment income				321,749	321,749
Equity in losses of other ventures				(3,610)	(3,610)
Other loss				(17,709)	(17,709)
Interest and preference share dividends				(58,686)	(58,686)
Minority interest - DaVinciRe				(110,326)	(110,326)
Other items, net				(20,607)	(20,607)
Net realized losses on investments				(5,889)	(5,889)
Net income available to common shareholders				\$ 104,922	\$ 507,371
Net claims and claim expenses incurred - current accident year	\$ 317,718	\$ 225,207			\$ 542,925
Net claims and claim expenses incurred - prior accident years	(95,728)	(30,651)			(126,379)
Net claims and claim expenses incurred - total	\$ 221,990	\$ 194,556			\$ 416,546
Net claims and claim expense ratio - current accident year	43.9%	61.7%			49.9%
Net claims and claim expense ratio - prior accident years	(13.2)%	(8.4)%			(11.6)%
Net claims and claim expense ratio - calendar year	30.7%	53.3%			38.3%
Underwriting expense ratio	19.0%	36.1%			24.7%
Combined ratio	49.7%	89.4%			63.0%

(1) Represents gross premiums ceded from the Individual Risk segment to the Reinsurance segment.

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In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (FAS 157). FAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 clarifies that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets and the lowest priority being unobservable data. Further, FAS 157 requires tabular disclosures of the fair value measurements by level within the fair value hierarchy. The Company adopted FAS 157 effective January 1, 2008. The adoption of FAS 157 did not have a material impact on the Company's consolidated statements of operations or financial condition.

Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities that the Company has access to. The fair value is determined by multiplying the quoted price by the quantity held by the Company.

Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices.

Level 3 inputs are based on unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

There have been no material changes in the Company's valuation techniques since the adoption of FAS 157 effective January 1, 2008.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis:

At September 30, 2008 (in thousands of U.S. dollars)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity investments available for sale	\$ 3,645,294	\$ 690,265	\$ 2,950,029	\$ 5,000
Short term investments	1,438,201		1,438,201	
Other investments	902,328		454,229	448,099
Other secured assets	107,252		107,252	
Other assets and (liabilities) (1)	44,748	33,280		