

RENAISSANCERE HOLDINGS LTD

Form 10-Q

November 06, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Q QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

o 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, 12 Crow Lane, Pembroke HM 19 Bermuda

(Address of Principal Executive Offices)

(441) 295-4513

(Registrant's telephone number)

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 Q No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes Q No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, as defined in Rule 12b-2 of the Act. Large accelerated filer Q, Accelerated filer o, Non-accelerated filer o, Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes o No Q

The number of Common Shares, par value US \$1.00 per share, outstanding at November 3, 2014 was 38,529,054.

RENAISSANCERE HOLDINGS LTD.  
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## NOTE ON FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). 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 words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, fees, reserves, market conditions, risk management and exchange rates. This Form 10-Q also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting the reinsurance and insurance industries.

In light of the risks and uncertainties inherent in all future projections, the inclusion of forward-looking statements in this report 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, which we expect to cause significant volatility in our financial results from time to time;
- the inherent uncertainties in our reserving process, particularly as regards to large catastrophic events and longer tail casualty lines, the uncertainties of which we expect to increase as our product and geographical diversity increases;
- the frequency and severity of catastrophic and other events which we cover could exceed our estimates and cause losses greater than we expect;
- the risk of the lowering or loss of any of the financial strength, claims paying or enterprise wide risk management ratings of RenaissanceRe Holdings Ltd. (“RenaissanceRe”) or of one or more of our subsidiaries or joint ventures or changes in the policies or practices of the rating agencies;
- risks associated with appropriately modeling, pricing for, and contractually addressing new or potential factors in loss emergence, such as the trend toward potentially significant global warming and other aspects of climate change which have the potential to adversely affect our business, any of which could cause us to underestimate our exposures and potentially adversely impact our financial results;
- the risk we might be bound to policyholder obligations beyond our underwriting intent, or unable to enforce our own intent in respect of retrocessional arrangements, including in each case due to emerging claims and coverage issues;
- risks due to our increasing reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of our revenue;
- risks relating to operating in a highly competitive environment, which we expect to continue to increase over time from new competition from traditional and non-traditional participants, particularly as capital markets products provide alternatives and replacements for more traditional reinsurance and insurance products, as new entrants or existing competitors attempt to replicate our business model, and as a result of consolidation in the (re)insurance industry;
- risks relating to deteriorating market conditions, including the risks of decreasing revenues, margins, capital efficiency and returns;

the risk that our customers may fail to make premium payments due to us, as well as the risk of failures of our reinsurers, brokers or other counterparties to honor their obligations to us, including as regards to large catastrophic events, and also including their obligations to make third party payments for which we might be liable;

a contention by the Internal Revenue Service that Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), or any of our other Bermuda subsidiaries, is subject to U.S. taxation;

other risks relating to potential adverse tax developments, including potential changes to the taxation of inter-company or related party transactions, or potential changes to the tax treatment of investors in RenaissanceRe or our joint ventures or other entities we manage;

risks relating to adverse legislative developments that could reduce the size of the private markets we serve, or impede their future growth, including proposals to shift United States ("U.S.") catastrophe risks to federal mechanisms; similar proposals at the state level in the U.S., including the risk of legislation in Florida to expand the reinsurance coverage offered by the Florida Hurricane Catastrophe Fund ("FHCF") and the insurance policies written by Citizens Property Insurance Corporation ("Citizens"), or failing to implement reforms to reduce such coverage; risks of adverse legislation in relation to U.S. flood insurance or the failure to implement reform legislation; and the risk that new legislation will be enacted in the international markets we serve which might reduce market opportunities in the private sector, weaken our customers or otherwise adversely impact us;

risks associated with our investment portfolio, including the risk that our investment assets may fail to yield attractive or even positive results; and the risk that investment managers may breach our investment guidelines, or the inability of such guidelines to mitigate investment risks;

risks associated with implementing our business strategies and initiatives, including risks related to strategic transactions, developing or enhancing the operations, controls and other infrastructure necessary in respect of our more recent, new or proposed initiatives, and the risk that we may fail to succeed in our business or financing plans for these initiatives;

risks that certain of our new or potentially expanding business lines could have a significant negative impact on our financial results or cause significant volatility in our results for any particular period;

risks associated with potential for loss of services of any one of our key senior officers, the risk that we fail to attract or retain the executives and employees necessary to manage our business, and difficulties associated with the transition of members of our senior management team for new or expanded roles necessary to execute our strategic and tactical plans;

risks relating to the inability, or delay, in the claims paying ability of Citizens, FHCF or of private market participants in Florida, particularly following a large windstorm or of multiple smaller storms, which we believe would weaken or destabilize the Florida market and give rise to an unpredictable range of impacts which might be adverse to us, perhaps materially so;

risks associated with the management of our operations as our product and geographical diversity increases, including the potential inability to allocate sufficient resources to our strategic and tactical plans or to address additional industry or regulatory developments and requirements;

changes in economic conditions, including interest rate, currency, equity and credit conditions which could affect our investment portfolio or declines in our investment returns for other reasons which could reduce our profitability and hinder our ability to pay claims promptly in accordance with our strategy, which risks we believe are currently enhanced in light of the current macroeconomic uncertainty and the recent period of relative economic weakness, both globally, particularly in respect of Eurozone countries and companies, and in the U.S.;

risks associated with highly subjective judgments, such as valuing our more illiquid assets, and determining the impairments taken on our investments, all of which impact our reported financial position and operating results;

risks associated with our retrocessional reinsurance protection, including the risks that the coverages and protections we seek may become unavailable or only available on unfavorable terms, that the forms of retrocessional protection available in the market on acceptable terms may give rise to more risk in our net portfolio than we find desirable or that we correctly identify, or that we are otherwise



unable to cede our own assumed risk to third parties; and the risk that providers of protection do not meet their obligations to us or do not do so on a timely basis;

- risks associated with inflation, which could cause loss costs to increase, and impact the performance of our investment portfolio, thereby adversely impacting our financial position or operating results;
- operational risks, including system or human failures, which risks could result in our incurring material losses;
- risks in connection with our management of capital on behalf of investors in joint ventures or other entities we manage, such as failing to comply with complex laws and regulations relating to the management of such capital or the potential rights of third party investors, which failure could result in our incurring significant liabilities, penalties or other losses;
- risks that we may require additional capital in the future, particularly after a catastrophic event or to support potential growth opportunities in our business, which may not be available or may be available only on unfavorable terms;
- risks relating to our potential failure to comply with covenants in our debt agreements, which failure could provide our lenders the right to accelerate our debt which would adversely impact us;
- the risk of potential challenges to the claim of exemption from insurance regulation of RenaissanceRe and certain of our subsidiaries in certain jurisdictions under certain current laws and the risk of increased global regulation of the insurance and reinsurance industry;
- risks relating to the inability of our operating subsidiaries to declare and pay dividends, which could cause us to be unable to pay dividends to our shareholders or to repay our indebtedness;
- the risk that there could be regulatory or legislative changes adversely impacting us, as a Bermuda-based company, relative to our competitors, or actions taken by multinational organizations having such an impact;
- risks arising out of possible changes in the distribution or placement of risks due to increased consolidation of customers or insurance and reinsurance brokers; and
- risks relating to changes in regulatory regimes and/or accounting rules, which could result in significant changes to our financial results, including but not limited to, the European Union directive concerning capital adequacy, risk management and regulatory reporting for insurers.

The factors listed above should not be construed as exhaustive. Certain of these risk factors and others are described in more detail from time to time in our filings with the U.S. Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2013. We undertake no obligation to release publicly the results of any future revisions we may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## RenaissanceRe Holdings Ltd. and Subsidiaries

## Consolidated Balance Sheets

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

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets		
Fixed maturity investments trading, at fair value (Amortized cost \$4,735,061 and \$4,781,712 at September 30, 2014 and December 31, 2013, respectively)	\$4,750,766	\$4,809,036
Fixed maturity investments available for sale, at fair value (Amortized cost \$24,664 and \$30,273 at September 30, 2014 and December 31, 2013, respectively)	28,069	34,241
Short term investments, at fair value	1,031,143	1,044,779
Equity investments trading, at fair value	301,714	254,776
Other investments, at fair value	501,487	573,264
Investments in other ventures, under equity method	118,245	105,616
Total investments	6,731,424	6,821,712
Cash and cash equivalents	300,547	408,032
Premiums receivable	630,718	474,087
Prepaid reinsurance premiums	195,978	66,132
Reinsurance recoverable	79,043	101,025
Accrued investment income	25,514	34,065
Deferred acquisition costs	130,108	81,684
Receivable for investments sold	147,206	75,845
Other assets	108,443	108,438
Goodwill and other intangible assets	7,954	8,111
Total assets	\$8,356,935	\$8,179,131
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	\$1,532,780	\$1,563,730
Unearned premiums	758,272	477,888
Debt	249,499	249,430
Reinsurance balances payable	501,155	293,022
Payable for investments purchased	284,295	193,221
Other liabilities	203,908	397,596
Total liabilities	3,529,909	3,174,887
Commitments and Contingencies		
Redeemable noncontrolling interest	1,091,166	1,099,860
Shareholders' Equity		
Preference shares: \$1.00 par value – 16,000,000 shares issued and outstanding at September 30, 2014 (December 31, 2013 – 16,000,000)	400,000	400,000
Common shares: \$1.00 par value – 38,887,563 shares issued and outstanding at September 30, 2014 (December 31, 2013 – 43,646,436)	38,888	43,646
Accumulated other comprehensive income	3,829	4,131
Retained earnings	3,293,143	3,456,607
Total shareholders' equity attributable to RenaissanceRe	3,735,860	3,904,384
Total liabilities, noncontrolling interests and shareholders' equity	\$8,356,935	\$8,179,131
See accompanying notes to the consolidated financial statements		





## RenaissanceRe Holdings Ltd. and Subsidiaries

## Consolidated Statements of Operations

For the three and nine months ended September 30, 2014 and 2013

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

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2014	2013	2014	2013
Revenues				
Gross premiums written	\$200,992	\$182,649	\$1,417,792	\$1,521,290
Net premiums written	\$159,713	\$127,241	\$956,467	\$1,123,163
Decrease (increase) in unearned premiums	99,266	167,476	(150,538	) (265,302
Net premiums earned	258,979	294,717	805,929	857,861
Net investment income	24,941	59,931	98,430	129,296
Net foreign exchange gains	5,036	488	6,367	170
Equity in earnings of other ventures	9,806	7,313	21,237	16,920
Other (loss) income	(1,169	) 651	(1,642	) (2,186
Net realized and unrealized (losses) gains on investments	(31,097	) 28,472	10,958	(26,788
Total revenues	266,496	391,572	941,279	975,273
Expenses				
Net claims and claim expenses incurred	69,647	60,928	209,950	192,141
Acquisition expenses	37,550	37,699	104,727	94,475
Operational expenses	46,972	44,672	135,437	133,447
Corporate expenses	3,905	4,307	12,404	30,318
Interest expense	4,290	4,298	12,875	13,632
Total expenses	162,364	151,904	475,393	464,013
Income from continuing operations before taxes	104,132	239,668	465,886	511,260
Income tax expense	(245	) (223	) (207	) (356
Income from continuing operations	103,887	239,445	465,679	510,904
(Loss) income from discontinued operations	—	(9,779	) —	2,422
Net income	103,887	229,666	465,679	513,326
Net income attributable to noncontrolling interests	(30,477	) (44,331	) (109,323	) (96,953
Net income attributable to RenaissanceRe	73,410	185,335	356,356	416,373
Dividends on preference shares	(5,595	) (5,595	) (16,786	) (19,353
Net income available to RenaissanceRe common shareholders	\$67,815	\$179,740	\$339,570	\$397,020
Income from continuing operations available to RenaissanceRe common shareholders per common share – basic	\$1.72	\$4.32	\$8.38	\$8.95
(Loss) income from discontinued operations (attributable) available to RenaissanceRe common shareholders per common share – basic	—	(0.23	) —	0.06
Net income available to RenaissanceRe common shareholders per common share – basic	\$1.72	\$4.09	\$8.38	\$9.01
Income from continuing operations available to RenaissanceRe common shareholders per common share – diluted	\$1.70	\$4.23	\$8.26	\$8.79
(Loss) income from discontinued operations (attributable) available to RenaissanceRe common	—	(0.22	) —	0.05

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shareholders per common share – diluted

Net income available to RenaissanceRe common

shareholders per common share – diluted	\$ 1.70	\$4.01	\$8.26	\$8.84
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Dividends per common share

\$0.29	\$0.28	\$0.87	\$0.84
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See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the three and nine months ended September 30, 2014 and 2013  
(in thousands of United States Dollars) (Unaudited)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Comprehensive income				
Net income	\$ 103,887	\$ 229,666	\$ 465,679	\$ 513,326
Change in net unrealized gains on investments	(89	) (343	) (302	) (9,056
Comprehensive income	103,798	229,323	465,377	504,270
Net income attributable to noncontrolling interests	(30,477	) (44,331	) (109,323	) (96,953
Comprehensive income attributable to noncontrolling interests	(30,477	) (44,331	) (109,323	) (96,953
Comprehensive income attributable to RenaissanceRe	\$ 73,321	\$ 184,992	\$ 356,054	\$ 407,317
Disclosure regarding net unrealized gains				
Total net realized and unrealized holding (gains) losses on investments and net other-than-temporary impairments	\$ (89	) \$ 25	\$ (302	) \$ (1,508
Net realized gains on fixed maturity investments available for sale	—	(368	) —	(7,548
Change in net unrealized gains on investments	\$ (89	) \$ (343	) \$ (302	) \$ (9,056

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Changes in Shareholders' Equity  
For the nine months ended September 30, 2014 and 2013  
(in thousands of United States Dollars) (Unaudited)

	Nine months ended	
	September 30, 2014	September 30, 2013
Preference shares		
Balance – January 1	\$400,000	\$400,000
Issuance of shares	—	275,000
Repurchase of shares	—	(275,000 )
Balance – September 30	400,000	400,000
Common shares		
Balance – January 1	43,646	45,542
Repurchase of shares	(4,996 )	(1,722 )
Exercise of options and issuance of restricted stock awards	238	571
Balance – September 30	38,888	44,391
Additional paid-in capital		
Balance – January 1	—	—
Repurchase of shares	(5,359 )	3,019
Offering expenses	—	(9,345 )
Change in noncontrolling interests	1,118	622
Exercise of options and issuance of restricted stock awards	4,241	5,704
Balance – September 30	—	—
Accumulated other comprehensive income		
Balance – January 1	4,131	13,622
Change in net unrealized gains on investments	(302 )	(9,056 )
Balance – September 30	3,829	4,566
Retained earnings		
Balance – January 1	3,456,607	3,043,901
Net income	465,679	513,326
Net income attributable to noncontrolling interests	(109,323 )	(96,953 )
Repurchase of shares	(468,200 )	(142,208 )
Dividends on common shares	(34,834 )	(36,956 )
Dividends on preference shares	(16,786 )	(19,353 )
Balance – September 30	3,293,143	3,261,757
Noncontrolling interest	—	3,720
Total shareholders' equity	\$3,735,860	\$3,714,434

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
For the nine months ended September 30, 2014 and 2013  
(in thousands of United States Dollars) (Unaudited)

	Nine months ended	
	September 30, 2014	September 30, 2013
Cash flows provided by operating activities		
Net income	\$465,679	\$513,326
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	30,270	42,423
Equity in undistributed earnings of other ventures	(16,519)	(12,048)
Net realized and unrealized (gains) losses on investments	(10,958)	26,806
Net unrealized gains included in net investment income	(2,908)	(33,836)
Net unrealized (gains) losses included in other (loss) income	(264)	12,782
Change in:		
Premiums receivable	(156,631)	(244,572)
Prepaid reinsurance premiums	(129,846)	(89,258)
Reinsurance recoverable	21,982	43,311
Deferred acquisition costs	(48,424)	(51,222)
Reserve for claims and claim expenses	(30,950)	(195,668)
Unearned premiums	280,384	354,560
Reinsurance balances payable	208,133	68,569
Other	(216,559)	(49,375)
Net cash provided by operating activities	393,389	385,798
Cash flows provided by (used in) investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	5,896,330	6,356,691
Purchases of fixed maturity investments trading	(5,843,501)	(6,449,697)
Proceeds from sales and maturities of fixed maturity investments available for sale	6,076	43,564
Net purchases of equity investments trading	(33,925)	(33,714)
Net sales (purchases) of short term investments	21,578	(118,126)
Net sales of other investments	74,706	198,101
Net sales (purchases) of investments in other ventures	1,030	(2,500)
Net sales (purchases) of other assets	6,000	(994)
Net cash provided by (used in) investing activities	128,294	(6,675)
Cash flows used in financing activities		
Dividends paid – RenaissanceRe common shares	(34,834)	(36,956)
Dividends paid – preference shares	(16,786)	(19,353)
RenaissanceRe common share repurchases	(475,343)	(140,911)
Net repayment of debt	—	(100,847)
Redemption of 6.08% Series C preference shares	—	(125,000)
Redemption of 6.60% Series D preference shares	—	(150,000)
Issuance of 5.375% Series E preference shares, net of expenses	—	265,655
Net third party redeemable noncontrolling interest share transactions	(107,091)	(103,628)
Net cash used in financing activities	(634,054)	(411,040)
Effect of exchange rate changes on foreign currency cash	4,886	3,366
Net decrease in cash and cash equivalents	(107,485)	(28,551)
Net increase in cash and cash equivalents of discontinued operations	—	(9,244)
Cash and cash equivalents, beginning of period	408,032	304,145

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Cash and cash equivalents, end of period	\$ 300,547	\$ 266,350
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See accompanying notes to the consolidated financial statements

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RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2014

(unless otherwise noted, amounts in tables expressed in thousands of United States ("U.S.") dollars, except per share amounts and percentages) (Unaudited)

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the Company's Annual Report on Form 10-K ("Form 10-K") for the fiscal year ended December 31, 2013.

RenaissanceRe Holdings Ltd. ("RenaissanceRe") was formed under the laws of Bermuda on June 7, 1993. Together with its wholly owned and majority-owned subsidiaries and DaVinciRe (as defined below), which are collectively referred to herein as the "Company", RenaissanceRe provides reinsurance and insurance coverages and related services to a broad range of customers.

Renaissance Reinsurance Ltd. ("Renaissance Reinsurance"), the Company's principal reinsurance subsidiary, 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 noncontrolling 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. Redeemable noncontrolling interest - DaVinciRe represents the interests of external parties with respect to the net income 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. RenaissanceRe Syndicate 1458 ("Syndicate 1458") is the Company's Lloyd's syndicate. RenaissanceRe Corporate Capital (UK) Limited ("RenaissanceRe CCL"), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458's sole corporate member and RenaissanceRe Syndicate Management Ltd. ("RSML"), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.

RenaissanceRe Specialty Risks Ltd. ("RenaissanceRe Specialty Risks"), is a Bermuda-domiciled reinsurance and excess and surplus lines insurance company that is listed on the National Association of Insurance Commissioners' International Insurance Department's Quarterly List of Alien Insurers as an eligible surplus lines insurer.

RenaissanceRe Underwriting Managers U.S. LLC ("RenaissanceRe Underwriting Managers U.S."), a specialty reinsurance agency domiciled in Connecticut, provides specialty treaty reinsurance solutions on both a quota share and excess of loss basis; and writes business on behalf of RenaissanceRe Specialty U.S. Ltd. ("RenaissanceRe Specialty U.S."), a Bermuda-domiciled reinsurer launched in June 2013 which operates subject to U.S. federal income tax, and Syndicate 1458.

Effective January 1, 2013, the Company formed and launched a managed joint venture, Upsilon Reinsurance II Ltd. ("Upsilon Re II"), a Bermuda domiciled special purpose insurer ("SPI"), to provide additional capacity to the worldwide aggregate and per-occurrence primary and retrocessional property catastrophe excess of loss market. Effective December 11, 2013, Upsilon Re II was renamed Upsilon Reinsurance Fund Opportunities Ltd. ("Upsilon RFO"). Upsilon RFO is considered a variable interest entity ("VIE") and the Company is considered the primary beneficiary. As a result, Upsilon RFO is consolidated by the Company and all significant inter-company transactions have been eliminated.

RenaissanceRe Medici Fund Ltd. ("Medici") is an exempted fund, incorporated under the laws of Bermuda. Medici's objective is to seek to invest substantially all of its assets in various insurance-based investment instruments that have returns primarily tied to property catastrophe risk. Third-party investors have subscribed for a portion of the participating, non-voting common shares of

Medici. Because the Company owns a noncontrolling equity interest in, but controls all of the outstanding voting power of Medici, the results of Medici are consolidated in the Company's financial statements. Redeemable noncontrolling interest - Medici represents the interests of external parties with respect to the net income and shareholders' equity of Medici.

On August 30, 2013, RenaissanceRe entered into a purchase agreement with a subsidiary of Munich-American Holding Corporation (together with applicable affiliates, "Munich") to sell the Company's U.S.-based weather and weather-related energy risk management unit, which principally included RenRe Commodity Advisors LLC ("RRCA"), Renaissance Trading Ltd. ("Renaissance Trading") and RenRe Energy Advisors Ltd. (collectively referred to as "REAL"). REAL offered certain derivative-based risk management products primarily to address weather and energy risk and engaged in hedging and trading activities related to those transactions. On October 1, 2013, RenaissanceRe closed the sale of REAL to Munich. In the third quarter of 2013, the Company classified the assets and liabilities associated with this transaction as held for sale. The financial results for these operations have been presented in the Company's consolidated financial statements as "discontinued operations" for all periods presented. Refer to "Note 3. Discontinued Operations", for more information.

#### NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies as described in its Form 10-K for the year ended December 31, 2013, except as noted below.

##### BASIS OF PRESENTATION

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 consolidated 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. Except as discussed in "Note 3. Discontinued Operations," and unless otherwise noted, the notes to the consolidated financial statements reflect the Company's continuing operations.

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.

##### USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those 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; reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives; impairment charges and the Company's deferred tax valuation allowance.

##### DISCONTINUED OPERATIONS

The results of operations of REAL, which has been sold to an unaffiliated third party, is classified as held for sale and reported as discontinued operations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic Discontinued Operations. The consolidated financial statements and notes thereto are presented excluding the operations and cash flows of the discontinued operations from the continuing operations of the Company since the Company will not have

any significant continuing involvement in the operations after the sale. The financial position and results of operations of discontinued operations are presented as single line items on the consolidated balance sheets and statements of operations, respectively. Certain prior year comparatives have been reclassified to conform to the current year presentation.

#### **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

**Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists**

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). The objective of ASU 2013-11 is to improve the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 seeks to reduce the diversity in practice by providing guidance on the presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. ASU 2013-11 became effective for annual and interim reporting periods beginning after December 15, 2013. The Company prospectively adopted ASU 2013-11 effective January 1, 2014 and the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

**Financial Services - Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements**

In June 2013, the FASB issued ASU No. 2013-08, Amendments to the Scope, Measurement, and Disclosure Requirements ("ASU 2013-08"). The objective of ASU 2013-08 is to change the approach to the investment company assessment, clarify the characteristics of an investment company and provide comprehensive guidance for assessing whether an entity is an investment company. In addition, ASU 2013-08 will require an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting and require the following additional disclosures: (a) the fact that the entity is an investment company and is applying the guidance, (b) information about changes, if any, in an entity's status as an investment company, and (c) information about financial support provided or contractually required to be provided by an investment company to any of its investees. ASU 2013-08 became effective for annual and interim reporting periods beginning after December 15, 2013. The Company prospectively adopted ASU 2013-08 effective January 1, 2014 and the adoption of this guidance did not have a material impact on the Company's consolidated statements of operations and financial position.

#### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

**Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity**

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). The objective of ASU 2014-08 is to improve the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. ASU 2014-08 will also require expanded disclosures for discontinued operations and require an entity to disclose the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. ASU 2014-08 is prospectively effective for public business entities in annual periods beginning on or after December 15, 2014, and interim periods beginning on or after December 15, 2015. Entities may early adopt ASU 2014-08 for new disposals that have not been reported in the consolidated financial statements previously issued or available for issuance. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

## NOTE 3. DISCONTINUED OPERATIONS

## REAL

On August 30, 2013, RenaissanceRe entered into a purchase agreement with Munich to sell REAL and, on October 1, 2013, RenaissanceRe closed the sale of REAL to Munich. In the third quarter of 2013, the Company classified the assets and liabilities associated with this transaction as held for sale and the financial results are reflected in the Company's consolidated financial statements as "discontinued operations." Consideration for the transaction was \$60.0 million, paid in cash at closing, subject to post-closing adjustments for certain tax and other items. The Company recorded a loss on sale of \$8.8 million in the third quarter of 2013 in conjunction with the sale, including related direct expenses.

Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to the Company's continuing operations. All prior periods presented have been reclassified to conform to this form of presentation.

The Company did not have any assets, liabilities or shareholder's equity of discontinued operations held for sale related to REAL at September 30, 2014 or December 31, 2013.

Details of the income from discontinued operations for the three and nine months ended September 30, 2014 and 2013 are as follows and relate entirely to REAL:

	Three months ended		Nine months ended		
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	
Revenues					
Net investment (loss) income	\$—	\$(3	) \$—	\$1,150	
Net foreign exchange (losses) gains	—	(140	) —	849	
Other (loss) income	—	(1,001	) —	9,471	
Net realized and unrealized losses on investments	—	(5	) —	(18	)
Total revenues	—	(1,149	) —	11,452	
Expenses					
Operational expenses	—	30	—	89	
Corporate expenses	—	(2	) —	104	
Total expenses	—	28	—	193	
Loss on sale of REAL	—	(8,770	) —	(8,770	)
(Loss) income before taxes	—	(9,947	) —	2,489	
Income tax expense	—	168	—	(67	)
(Loss) income from discontinued operations	\$—	\$(9,779	) \$—	\$2,422	

## NOTE 4. INVESTMENTS

## Fixed Maturity Investments Trading

The following table summarizes the fair value of fixed maturity investments trading:

	September 30, 2014	December 31, 2013
U.S. treasuries	\$1,636,326	\$1,352,413
Agencies	120,025	186,050
Non-U.S. government (Sovereign debt)	282,326	334,580
Non-U.S. government-backed corporate	141,159	237,479
Corporate	1,572,168	1,803,415
Agency mortgage-backed	320,584	336,661
Non-agency mortgage-backed	252,241	243,795
Commercial mortgage-backed	397,685	303,214
Asset-backed	28,252	11,429
Total fixed maturity investments trading	\$4,750,766	\$4,809,036

## Fixed Maturity Investments Available For Sale

The following table summarizes the amortized cost, fair value and related unrealized gains and losses and non-credit other-than-temporary impairments of fixed maturity investments available for sale:

September 30, 2014	Amortized Cost	Included in Accumulated Other Comprehensive Income		Fair Value	Non-Credit Other-Than- Temporary Impairments (1)
		Gross Unrealized Gains	Gross Unrealized Losses		
Agency mortgage-backed	\$4,174	\$380	\$—	\$4,554	\$—
Non-agency mortgage-backed	9,999	2,218	(3	) 12,214	(677
Commercial mortgage-backed	7,294	656	—	7,950	—
Asset-backed	3,197	154	—	3,351	—
Total fixed maturity investments available for sale	\$24,664	\$3,408	\$(3	) \$28,069	\$(677

December 31, 2013	Amortized Cost	Included in Accumulated Other Comprehensive Income		Fair Value	Non-Credit Other-Than- Temporary Impairments (1)
		Gross Unrealized Gains	Gross Unrealized Losses		
Agency mortgage-backed	\$4,880	\$378	\$(11	) \$5,247	\$—
Non-agency mortgage-backed	11,735	2,414	(6	) 14,143	(742
Commercial mortgage-backed	10,052	970	—	11,022	—
Asset-backed	3,606	223	—	3,829	—
Total fixed maturity investments available for sale	\$30,273	\$3,985	\$(17	) \$34,241	\$(742

Represents the non-credit component of other-than-temporary impairments recognized in accumulated other (1)comprehensive income adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

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Contractual maturities of fixed maturity investments are as follows. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

September 30, 2014	Trading		Available for Sale		Total Fixed Maturity Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	\$97,830	\$97,868	\$—	\$—	\$97,830	\$97,868
Due after one through five years	2,951,631	2,949,329	—	—	2,951,631	2,949,329
Due after five through ten years	595,874	593,633	—	—	595,874	593,633
Due after ten years	108,080	111,174	—	—	108,080	111,174
Mortgage-backed	953,480	970,510	21,467	24,718	974,947	995,228
Asset-backed	28,166	28,252	3,197	3,351	31,363	31,603
Total	\$4,735,061	\$4,750,766	\$24,664	\$28,069	\$4,759,725	\$4,778,835

#### Equity Investments Trading

The following table summarizes the fair value of equity investments trading:

	September 30, 2014	December 31, 2013
Financials	\$199,798	\$152,905
Communications and technology	32,377	4,300
Industrial, utilities and energy	30,347	25,350
Consumer	18,796	44,115
Healthcare	16,396	15,340
Basic materials	4,000	12,766
Total	\$301,714	\$254,776

#### Pledged Investments

At September 30, 2014, \$2,115.6 million of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of various counterparties, including with respect to the Company's syndicated letter of credit facility and bilateral letter of credit facility (December 31, 2013 - \$2,081.1 million). Of this amount, \$685.8 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities (December 31, 2013 - \$652.8 million).

#### Reverse Repurchase Agreements

At September 30, 2014, the Company held \$18.6 million (December 31, 2013 - \$37.3 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's consolidated balance sheets. The required collateral for these loans typically include high-quality, readily marketable instruments at a minimum rate of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income, Net Realized and Unrealized Gains on Investments and Net Other-Than-Temporary Impairments

The components of net investment income are as follows:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Fixed maturity investments	\$24,519	\$24,423	\$74,751	\$71,148
Short term investments	251	563	727	1,318
Equity investments	736	706	2,311	1,050
Other investments				
Hedge funds and private equity investments	(3,320	) 14,179	17,337	31,296
Other	5,547	22,735	11,558	32,874
Cash and cash equivalents	116	47	300	108
	27,849	62,653	106,984	137,794
Investment expenses	(2,908	) (2,722	) (8,554	) (8,498
Net investment income	\$24,941	\$59,931	\$98,430	\$129,296

The following table provides an analysis of the components of net realized and unrealized gains on investments.

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Gross realized gains	\$7,962	\$8,813	\$33,595	\$60,437
Gross realized losses	(2,720	) (22,241	) (10,871	) (41,396
Net realized gains on fixed maturity investments	5,242	(13,428	) 22,724	19,041
Net unrealized (losses) gains on fixed maturity investments trading	(36,600	) 33,405	21,200	(85,338
Net realized and unrealized (losses) gains on investments-related derivatives	(1,868	) 3,557	(19,651	) 24,488
Net realized gains on equity investments trading	3,523	560	8,578	18,195
Net unrealized (losses) gains on equity investments trading	(1,394	) 4,378	(21,893	) (3,174
Net realized and unrealized (losses) gains on investments	\$(31,097	) \$28,472	\$10,958	\$(26,788



The following tables provide an analysis of the components of other comprehensive income and reclassifications out of accumulated other comprehensive income.

## Three months ended September 30, 2014

	Investments in other ventures	Fixed maturity investments available for sale	Total
--	----------------------------------	--	-------

Beginning balance	\$211	\$3,707	\$3,918
Other comprehensive income (loss) before reclassifications	213	(302)	(89)
Ending balance	\$424	\$3,405	\$3,829

## Nine months ended September 30, 2014

	Investments in other ventures	Fixed maturity investments available for sale	Total
--	----------------------------------	--	-------

Beginning balance	\$163	\$3,968	\$4,131
Other comprehensive income (loss) before reclassifications	261	(563)	(302)
Ending balance	\$424	\$3,405	\$3,829

## Three months ended September 30, 2013

	Investments in other ventures	Fixed maturity investments available for sale	Total
--	----------------------------------	--	-------

Beginning balance	\$218	\$4,691	\$4,909
Other comprehensive (loss) income before reclassifications	(91)	116	25
Amounts reclassified from accumulated other comprehensive income by statement of operations line item:			
Realized gains reclassified from accumulated other comprehensive income to net realized and unrealized gains (losses) on investments	—	(368)	(368)
Net current-period other comprehensive loss	(91)	(252)	(343)
Ending balance	\$127	\$4,439	\$4,566

## Nine months ended September 30, 2013

	Investments in other ventures	Fixed maturity investments available for sale	Total
--	----------------------------------	--	-------

Beginning balance	\$1,625	\$11,997	\$13,622
Other comprehensive loss before reclassifications	(1,498)	(10)	(1,508)
Amounts reclassified from accumulated other comprehensive income by statement of operations line item:			
Realized gains reclassified from accumulated other comprehensive income to net realized and unrealized gains (losses) on investments	—	(7,548)	(7,548)

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Net current-period other comprehensive loss	(1,498	) (7,558	) (9,056	)
Ending balance	\$ 127	\$ 4,439	\$ 4,566	

The following tables provide an analysis of the length of time the Company's fixed maturity investments available for sale in an unrealized loss have been in a continual unrealized loss position.

	Less than 12 Months		12 Months or Greater		Total	
At September 30, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Non-agency mortgage-backed	\$—	\$—	\$73	\$(3 )	\$73	\$(3 )
Total	\$—	\$—	\$73	\$(3 )	\$73	\$(3 )

	Less than 12 Months		12 Months or Greater		Total	
December 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Agency mortgage-backed	\$726	\$(11 )	\$—	\$—	\$726	\$(11 )
Non-agency mortgage-backed	—	—	89	(6 )	89	(6 )
Commercial mortgage-backed	39	—	—	—	39	—
Total	\$765	\$(11 )	\$89	\$(6 )	\$854	\$(17 )

At September 30, 2014, the Company held two fixed maturity investments available for sale securities that were in an unrealized loss position (December 31, 2013 - four), including two fixed maturity investments available for sale securities that were in an unrealized loss position for twelve months or greater (December 31, 2013 - two). The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities before the anticipated recovery of the remaining amortized cost basis. The Company performed reviews of its fixed maturity investments available for sale for the nine months ended September 30, 2014 and 2013, respectively, in order to determine whether declines in the fair value below the amortized cost basis were considered other-than-temporary in accordance with the applicable guidance, as discussed below.

#### Other-Than-Temporary Impairment Process

The Company's process for assessing whether declines in the fair value of its fixed maturity investments available for sale represent impairments that are other-than-temporary includes reviewing each fixed maturity investment available for sale that is impaired and determining: (i) if the Company has the intent to sell the debt security or (ii) if it is more likely than not that the Company will be required to sell the debt security before its anticipated recovery; and (iii) whether a credit loss exists, that is, where the Company expects that the present value of the cash flows expected to be collected from the security is less than the amortized cost basis of the security.

For the nine months ended September 30, 2014, the Company recognized \$Nil of other-than-temporary impairments which were recognized in earnings and \$Nil related to other factors which were recognized in other comprehensive income (2013 – \$Nil and \$Nil, respectively).

The following table provides a rollforward of the amount of other-than-temporary impairments related to credit losses recognized in earnings for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	\$529	\$791	\$561	\$838
Reductions:				
Securities sold during the period	(15 )	(38 )	(47 )	(85 )
Ending balance	\$514	\$753	\$514	\$753



## NOTE 5. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations, with the exception of changes in unrealized gains and losses on its fixed maturity investments available for sale, which are recognized as a component of accumulated other comprehensive income in shareholders' equity.

FASB ASC Topic Fair Value Measurements and Disclosures prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

Fair values determined by Level 1 inputs utilize unadjusted quoted prices obtained from active markets for identical assets or liabilities for which the Company has access. 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; and

Level 3 inputs are based all or in part on significant 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.

In order to determine if a market is active or inactive for a security, the Company considers a number of factors, including, but not limited to, the spread between what a seller is asking for a security and what a buyer is bidding for the same security, the volume of trading activity for the security in question, the price of the security compared to its par value (for fixed maturity investments), and other factors that may be indicative of market activity.

Other than the transaction noted below, there have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or Level 2 and 3 during the period represented by these consolidated financial statements. As discussed in greater detail below, the Company transferred its investment in the common shares of Trupanion, Inc. ("Trupanion"), a company that provides insurance for a variety of veterinarian costs, from Level 3 to Level 1, effective July 18, 2014, the date on which Trupanion became a publicly traded company on the New York Stock Exchange (the "NYSE"). The fair value transferred from Level 3 to Level 1 was \$24.6 million.

Below is a summary of the assets and liabilities that are measured at fair value on a recurring basis and also represents the carrying amount on the Company's consolidated balance sheets:

At September 30, 2014	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				
U.S. treasuries	\$ 1,636,326	\$ 1,636,326	\$—	\$—
Agencies	120,025	—	120,025	—
Non-U.S. government (Sovereign debt)	282,326	—	282,326	—
Non-U.S. government-backed corporate	141,159	—	141,159	—
Corporate	1,572,168	—	1,556,232	15,936
Agency mortgage-backed	325,138	—	325,138	—
Non-agency mortgage-backed	264,455	—	264,455	—
Commercial mortgage-backed	405,635	—	405,635	—
Asset-backed	31,603	—	31,603	—
Total fixed maturity investments	4,778,835	1,636,326	3,126,573	15,936
Short term investments	1,031,143	—	1,031,143	—
Equity investments trading	301,714	301,714	—	—
Other investments				
Private equity partnerships	300,800	—	—	300,800
Catastrophe bonds	179,246	—	179,246	—
Senior secured bank loan fund	18,723	—	—	18,723
Hedge funds	2,718	—	—	2,718
Total other investments	501,487	—	179,246	322,241
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts	(7,281)	) —	—	(7,281)
Derivatives (1)	(1,468)	) 479	(1,957)	) 10
Other	(8,523)	) —	(8,523)	) —
Total other assets and (liabilities)	(17,272)	) 479	(10,480)	) (7,271)
	\$6,595,907	\$ 1,938,519	\$4,326,482	\$330,906

(1) See "Note 12. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

December 31, 2013	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				
U.S. treasuries	\$ 1,352,413	\$ 1,352,413	\$—	\$—
Agencies	186,050	—	186,050	—
Non-U.S. government (Sovereign debt)	334,580	—	334,580	—
Non-U.S. government-backed corporate	237,479	—	237,479	—
Corporate	1,803,415	—	1,775,835	27,580
Agency mortgage-backed	341,908	—	341,908	—
Non-agency mortgage-backed	257,938	—	257,938	—
Commercial mortgage-backed	314,236	—	314,236	—
Asset-backed	15,258	—	15,258	—
Total fixed maturity investments	4,843,277	1,352,413	3,463,284	27,580
Short term investments	1,044,779	—	1,044,779	—
Equity investments trading	254,776	254,776	—	—
Other investments				
Private equity partnerships	322,391	—	—	322,391
Catastrophe bonds	229,016	—	229,016	—
Senior secured bank loan funds	18,048	—	—	18,048
Hedge funds	3,809	—	—	3,809
Total other investments	573,264	—	229,016	344,248
Other assets and (liabilities)				
Derivatives (1)	4,758	823	6,425	(2,490 )
Other	(12,991 )	—	(12,991 )	—
Total other assets and (liabilities)	(8,233 )	823	(6,566 )	(2,490 )
	\$ 6,707,863	\$ 1,608,012	\$ 4,730,513	\$ 369,338

(1) See “Note 12. Derivative Instruments” for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

#### Level 1 and Level 2 Assets and Liabilities Measured at Fair Value

##### Fixed Maturity Investments

Fixed maturity investments included in Level 1 consist of the Company’s investments in U.S. treasuries. Fixed maturity investments included in Level 2 are agencies, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed. The Company’s fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing, however models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are





generally verified using third party data. Securities which are priced by an index provider are generally included in the index.

In general, broker-dealers value securities through their trading desks based on observable inputs. The methodologies include mapping securities based on trade data, bids or offers, observed spreads, and performance on newly issued securities. Broker-dealers also determine valuations by observing secondary trading of similar securities. Prices obtained from broker quotations are considered non-binding, however they are based on observable inputs and by observing secondary trading of similar securities obtained from active, non-distressed markets.

The Company considers these Level 2 inputs as they are corroborated with other market observable inputs. The techniques generally used to determine the fair value of the Company's fixed maturity investments are detailed below by asset class.

#### U.S. treasuries

Level 1 - At September 30, 2014, the Company's U.S. treasuries fixed maturity investments are primarily priced by pricing services and had a weighted average effective yield of 1.0% and a weighted average credit quality of AA (December 31, 2013 - 0.8% and AA, respectively). When pricing these securities, the pricing services utilize daily data from many real time market sources, including active broker dealers. Certain data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue and maturity date.

#### Agencies

Level 2 - At September 30, 2014, the Company's agency fixed maturity investments had a weighted average effective yield of 1.5% and a weighted average credit quality of AA (December 31, 2013 - 1.3% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

#### Non-U.S. government (Sovereign debt)

Level 2 - Non-U.S. government fixed maturity investments held by the Company at September 30, 2014 had a weighted average effective yield of 1.2% and a weighted average credit quality of AA (December 31, 2013 - 1.3% and AA, respectively). The issuers of securities in this sector are non-U.S. governments and their respective agencies as well as supranational organizations. Securities held in these sectors are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

#### Non-U.S. government-backed corporate

Level 2 - Non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 1.4% and a weighted average credit quality of AA at September 30, 2014 (December 31, 2013 - 1.1% and AAA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services who employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread to the respective curve for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

#### Corporate

Level 2 - At September 30, 2014, the Company's corporate fixed maturity investments principally consist of U.S. and international corporations and had a weighted average effective yield of 3.0% and a weighted average credit quality of BBB (December 31, 2013 - 2.7% and BBB, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

#### Agency mortgage-backed

Level 2 - At September 30, 2014, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 2.6%, a weighted average credit quality of AA and a weighted average life of 6.2 years (December 31, 2013 - 2.9%, AA and 6.2 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

#### Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments include non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments classified as sub-prime held in its fixed maturity investments portfolio. At September 30, 2014, the Company's non-agency prime residential mortgage-backed fixed maturity investments have a weighted average effective yield of 3.2%, a weighted average credit quality of non-investment grade, and a weighted average life of 4.3 years (December 31, 2013 - 3.7%, BBB and 4.4 years, respectively). The Company's non-agency Alt-A fixed maturity investments held at September 30, 2014 have a weighted average effective yield of 3.9%, a weighted average credit quality of BBB and a weighted average life of 5.0 years (December 31, 2013 - 4.7%, non-investment grade and 4.0 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields, available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

#### Commercial mortgage-backed

Level 2 - The Company's commercial mortgage-backed fixed maturity investments held at September 30, 2014 have a weighted average effective yield of 2.2%, a weighted average credit quality of AAA, and a weighted average life of 4.0 years (December 31, 2013 - 2.1%, AA and 3.3 years, respectively). Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bid and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services discount the expected cash flows for each security held in this sector using a spread adjusted benchmark yield based on the characteristics of the security.

#### Asset-backed

Level 2 - At September 30, 2014, the Company's asset-backed fixed maturity investments had a weighted average effective yield of 1.6%, a weighted average credit quality of AAA and a weighted average life of 2.7 years (December 31, 2013 - 2.0%, AAA and 3.5 years, respectively). The underlying collateral for the

Company's asset-backed fixed maturity investments primarily consists of student loans, credit card receivables, auto loans and other receivables. Securities held in these sectors are primarily priced by pricing services. The pricing services apply dealer quotes and other available trade information such as bids and offers, prepayment speeds which may be adjusted for the underlying collateral or current price data, the U.S. treasury curve and swap curve as well as cash settlement. The pricing services determine the expected cash flows for each security held in this sector using historical prepayment and default projections for the underlying collateral and current market data. In addition, a spread is applied to the relevant benchmark and used to discount the cash flows noted above to determine the fair value of the securities held in this sector.

#### Short Term Investments

Level 2 - The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

#### Equity Investments, Classified as Trading

Level 1 - The fair value of the Company's portfolio of equity investments, classified as trading is primarily priced by pricing services, reflecting the closing price quoted for the final trading day of the period. When pricing these securities, the pricing services utilize daily data from many real time market sources, including applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source was used for each security.

At June 30, 2014, the Company had a corporate fixed maturity investment of \$30.2 million in the convertible preferred equity of Trupanion, for which the Company measured the fair value using Level 3 inputs. On July 18, 2014, Trupanion common stock began publicly trading on the NYSE. Effective immediately prior to the closing of the IPO, the Company's investment in the convertible preferred equity of Trupanion was converted into 2.5 million common shares of Trupanion. Trupanion common shares began publicly trading on the NYSE on July 18, 2014 at a share price of \$10.00, resulting in a fair value of \$24.6 million. Following the IPO, the Company transferred its investment in Trupanion from corporate fixed maturity investments to its portfolio of equity investments trading on its consolidated balance sheet and any realized and unrealized gains or losses related to Trupanion from the IPO price are included in net realized and unrealized gains (losses) on investments on the Company's consolidated statements of operations. The Company has agreed, subject to certain exceptions, not to dispose of or hedge any of the common shares of Trupanion it holds prior to January 14, 2015. Included in equity investments trading at September 30, 2014 is \$20.9 million related to the Company's investment in Trupanion.

#### Other investments

##### Catastrophe bonds

Level 2 - The Company's other investments include investments in catastrophe bonds which are recorded at fair value based on broker or underwriter bid indications.

#### Other assets and liabilities

##### Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded foreign currency forward contracts which are considered Level 1, and certain credit derivatives, determined using standard industry valuation models and considered Level 2, as the inputs to the valuation model are based on observable market inputs, including credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term.

## Other

Level 2 - The liabilities measured at fair value and included in Level 2 at September 30, 2014 of \$8.5 million are comprised of cash settled restricted stock units ("CSRSU") that form part of the Company's compensation program. The fair value of the Company's CSRSUs is determined using observable exchange traded prices for the Company's common shares.

## Level 3 Assets and Liabilities Measured at Fair Value

Below is a summary of quantitative information regarding the significant observable and unobservable inputs (Level 3) used in determining the fair value of assets and liabilities measured at fair value on a recurring basis:

At September 30, 2014	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual	
Fixed maturity investments							
Corporate	\$ 15,936	Discounted cash flow ("DCF")	Credit spread (U)	n/a	n/a	0.0	%
			Liquidity discount (U)	n/a	n/a	1.0	%
			Risk-free rate (O)	n/a	n/a	0.4	%
			Dividend rate (O)	n/a	n/a	6.2	%
Total fixed maturity investments	15,936						
Other investments							
Private equity partnerships	300,800	Net asset valuation	Estimated performance (U)	(13.9	)% 8.3	% (0.4	)%
Senior secured bank loan fund	18,723	Net asset valuation	Estimated performance (U)	n/a	n/a	0.5	%
Hedge funds	2,718	Net asset valuation	Estimated performance (U)	0.0	% 0.0	% 0.0	%
Total other investments	322,241						
Other assets and (liabilities)							
Assumed and ceded (re)insurance contracts	(7,281	) Internal valuation model	Net undiscounted cash flows (U)	\$ 140	\$6,284	\$3,784	
			Contract period (O)	824	1,100	857	
			Discount rate (U)	n/a	n/a	0.8	%
Weather contract	(254	) Internal valuation model	See below	n/a	n/a	See below	
Call rights	264	Internal valuation model	See below	n/a	n/a	See below	
Total other assets and (liabilities)	(7,271	)					
	\$330,906						

Fixed Maturity Investments

Corporate

Level 3 - Included in the Company's corporate fixed maturity investments is an investment in the preferred equity of an insurance holding company with a fair value of \$15.9 million at September 30, 2014. The Company measures the fair value of this investment using a DCF model and seeks to incorporate all relevant information reasonably available. The Company considers the contractual agreement which stipulates the methodology for calculating a dividend rate to be paid upon liquidation, conversion or redemption. At September 30, 2014, the dividend rate was 6.2%. In addition, the Company has estimated a liquidity discount of 1.0%, a risk-free rate of 0.4% and a credit spread of 0.0%. To ensure the estimate for fair value determined using the DCF model is reasonable, the Company reviews private market comparables of similar investments, if available, and in particular, credit ratings of other private market comparables for similar investments to determine the appropriateness of its estimate of fair value using a

DCF model. The fair value of the Company's investment in this corporate fixed maturity investment determined by a DCF model is positively correlated to the dividend rate, and inversely correlated to the credit spread, liquidity discount and the risk-free rate.

#### Other investments

##### Private equity partnerships

Level 3 - Included in the Company's \$300.8 million of investments in private equity partnerships at September 30, 2014 are alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes including U.S. and global leveraged buyouts; mezzanine investments; distressed securities; real estate; and oil, gas and power. The fair value of private equity partnership investments is based on current estimated net asset values established in accordance with the governing documents of such investments and is obtained from the investment manager or general partner of the respective entity. The type of underlying investments held by the investee which form the basis of the net asset valuation include assets such as private business ventures, for which the Company does not have access to financial information. As a result, the Company is unable to corroborate the fair value measurement of the underlying investments of the private equity partnership and therefore requires significant management judgment to determine the fair value of the private equity partnership. In circumstances where there is a reporting lag between the current period end reporting date and the reporting date of the latest fund valuation, the Company estimates the fair value of these funds by starting with the prior quarter-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates, and then estimating the return for the current period. In circumstances in which the Company estimates the return for the current period, all relevant information reasonably available to the Company is utilized. This principally includes preliminary estimates reported to the Company by its fund managers, obtaining the valuation of underlying portfolio investments where such underlying investments are publicly traded and therefore have a readily observable price, using information that is available to the Company with respect to the underlying investments, reviewing various indices for similar investments or asset classes, as well as estimating returns based on the results of similar types of investments for which the Company has obtained reported results, or other valuation methods, where possible. The range of such current estimated periodic returns for the three months ended September 30, 2014 was negative 13.9% to positive 8.3% with a weighted average of negative 0.4%. The fair value of the Company's investment in private equity partnerships is positively correlated to the estimated periodic rate of return. The Company also considers factors such as recent financial information, the value of capital transactions with the partnership and management's judgment regarding whether any adjustments should be made to the net asset value. For each respective private equity partnership, the Company obtains and reviews the valuation methodology used by the investment manager or general partner and the latest audited annual financial statements to attempt to ensure that the investment partnership is following fair value principles consistent with GAAP in determining the net asset value of each limited partner's interest.

##### Senior secured bank loan fund

Level 3 - The Company has \$18.7 million invested in a closed end fund which invests primarily in loans. The Company has no right to redeem its investment in this fund. The Company's investment in this fund is valued using the estimated monthly net asset valuation received from the investment manager. The lock up provisions in this fund result in a lack of current observable market transactions between the fund participants and the fund, and therefore the Company considers the fair value of its investment in this fund to be determined using Level 3 inputs. The Company obtains and reviews the latest audited annual financial statements to attempt to ensure that the fund is following fair value principles consistent with GAAP in determining the net asset value. The fair value of the Company's investment in the senior secured bank loan fund is positively correlated to the estimated monthly net asset valuations received from the investment manager.

#### Hedge funds

Level 3 - The Company has \$2.7 million of hedge fund investments that are invested in so called “side pockets” or illiquid investments. In these instances, the Company generally does not have the right to redeem its interest, and as such, the Company classifies this portion of its investment as Level 3. The fair value of these illiquid investments is determined by adjusting the previous periods’ reported net asset value (generally one month in arrears) for an estimated periodic rate of return obtained from the respective investment manager.

For each respective hedge fund investment, the Company obtains and reviews the valuation methodology used by the investment manager and the latest audited annual financial statements to attempt to ensure that the hedge fund investment is following fair value principles consistent with GAAP in determining the net asset value.

#### Other assets and liabilities

##### Assumed and ceded (re)insurance contracts

Level 3 - The Company has a \$7.3 million liability related to assumed and ceded (re)insurance contracts accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on proprietary data as observable market inputs are generally not available. The most significant unobservable inputs include the assumed and ceded expected net cash flows related to the contracts, including the expected premium, acquisition expenses and losses; and the relevant discount rate used to present value the net cash flows. The contract period is considered an observable input as it is defined in the contract. Generally, an increase in the net expected cash flows and expected term of the contract and a decrease in the discount rate, would result in an increase in the expected profit and ultimate fair value of the Company's assumed and ceded (re)insurance contracts.

##### Weather Contract

Level 3 - The Company has a \$0.3 million liability related to a weather contract entered into with an insurance company, with the fair value determined through the use of an internal valuation model. Inputs to the internal valuation model are based on proprietary data as observable market inputs are not available. The most significant unobservable input is the potential payment that would become due to a counterparty following the occurrence of a triggering event as reported by an external agency. Generally, an increase (decrease) in the potential payment would result in an increase (decrease) to the fair value of the Company’s weather contract liability.

##### Call Rights

Level 3 - The Company has an agreement with a counterparty that gives the counterparty the right to purchase shares the Company has in certain of its equity method investees at a price above the Company’s current carrying value for those investments. The agreement is considered a derivative for accounting purposes and the Company’s estimated fair value of the agreement is \$0.3 million. The fair value is based on an internal valuation model which incorporates the estimated intrinsic value of the agreement, the time value of money, and the likelihood of the agreement being exercised and ultimately settled. The fair value of the agreement is positively correlated to the tangible GAAP book value of the underlying equity method investees as well as the likelihood of the agreement being exercised and ultimately settled.

Below is a reconciliation of the beginning and ending balances, for the periods shown, of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs. Interest and dividend income are included in net investment income and are excluded from the reconciliation.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance - July 1, 2014	\$46,176	\$334,149	\$1,071	\$381,396
Total unrealized gains (losses)				
Included in net investment income	(5,596)	(8,054)	9	(13,641)
Included in other (loss) income	—	—	(1,956)	(1,956)
Total realized losses				
Included in other (loss) income	—	—	225	225
Total foreign exchange gains	—	(2,074)	20	(2,054)
Purchases	—	12,425	(6,640)	5,785
Settlements	—	(14,205)	—	(14,205)
Net transfers out of Level 3	(24,644)	—	—	(24,644)
Balance - September 30, 2014	\$15,936	\$322,241	\$(7,271)	\$330,906
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$(2)	\$(8,054)	\$9	\$(8,047)
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$—	\$—	\$(1,956)	\$(1,956)
included in other loss				

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance - January 1, 2014	\$27,580	\$344,248	\$(2,490)	\$369,338
Total unrealized gains (losses)				
Included in net investment income	13,000	1,401	1,404	15,805
Included in other (loss) income	—	—	264	264
Total realized losses				
Included in other (loss) income	—	—	225	225
Total foreign exchange gains	—	(2,273)	(34)	(2,307)
Purchases	—	37,817	(6,640)	31,177
Settlements	—	(58,952)	—	(58,952)
Net transfers out of Level 3	(24,644)	—	—	(24,644)
Balance - September 30, 2014	\$15,936	\$322,241	\$(7,271)	\$330,906
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$210	\$1,401	\$1,404	\$3,015
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$—	\$—	\$264	\$264



included in other loss

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance - July 1, 2013	\$25,681	\$393,704	\$625	\$420,010
Total unrealized gains (losses)				
Included in net investment income	(311	) 20,480	—	20,169
Included in other (loss) income	—	—	(625	) (625
Total realized losses				
Included in other (loss) income	—	—	281	281
Total foreign exchange gains	—	1,218	—	1,218
Purchases	—	6,056	(563	) 5,493
Settlements	—	(22,829	) —	(22,829
Balance - September 30, 2013	\$25,370	\$398,629	\$(282	) \$423,717
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$(311	) \$20,480	\$—	\$20,169
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$—	\$—	\$(625	) \$(625
included in other income (loss)				

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance - January 1, 2013	\$27,792	\$381,067	\$21,513	\$430,372
Total unrealized gains (losses)				
Included in net investment income	78	31,123	—	31,201
Included in other income (loss)	—	—	(625	) (625
Total realized losses				
Included in other income (loss)	—	—	(2,365	) (2,365
Total foreign exchange gains	—	801	—	801
Purchases	—	35,252	(563	) 34,689
Settlements	(2,500	) (67,856	) —	(70,356
Reclassified from other assets to other investments	—	18,242	(18,242	) —
Balance - September 30, 2013	\$25,370	\$398,629	\$(282	) \$423,717
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$78	\$29,913	\$—	\$29,991
Change in unrealized gains for the period included in earnings for assets held at the end of the period	\$—	\$—	\$(625	) \$(625
included in other income (loss)				



## Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash, accrued interest, receivables for investments sold, certain other assets, payables for investments purchased, certain other liabilities, and other financial instruments not included herein approximated their fair values.

## Senior Notes

In March 2010, RenRe North America Holdings Inc. ("RRNAH") issued \$250.0 million of 5.75% Senior Notes due March 15, 2020, with interest on the notes payable on March 15 and September 15 of each year. At September 30, 2014, the fair value of the 5.75% Senior Notes was \$271.0 million (December 31, 2013 – \$273.9 million).

The fair value of RRNAH's 5.75% Senior Notes is determined using indicative market pricing obtained from third-party service providers, which the Company considers Level 2 in the fair value hierarchy. There have been no changes during the period in the Company's valuation technique used to determine the fair value of the Senior Notes. The Fair Value Option for Financial Assets and Financial Liabilities

The Company has elected to account for certain financial assets and financial liabilities at fair value using the guidance under FASB ASC Topic Financial Instruments as the Company believes it represents the most meaningful measurement basis for these assets and liabilities. Below is a summary of the balances the Company has elected to account for at fair value:

	September 30, 2014	December 31, 2013
Other investments	\$501,487	\$573,264
Other liabilities	\$7,281	\$—

Included in net investment income for the three and nine months ended September 30, 2014 was net unrealized losses of \$6.0 million and gains of \$2.9 million, respectively, related to the changes in fair value of other investments (2013 – gains of \$22.9 million and gains of \$32.6 million, respectively). Net unrealized gains related to the changes in the fair value of other assets and liabilities recorded in other (loss) income was \$Nil and \$Nil for the three and nine months ended September 30, 2014, respectively (2013 - \$Nil and \$Nil, respectively).

## Measuring the Fair Value of Other Investments Using Net Asset Valuations

The table below shows the Company's portfolio of other investments measured using net asset valuations:

At September 30, 2014	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Minimum Days)	Redemption Notice Period (Maximum Days)
Private equity partnerships	\$300,800	\$77,563	See below	See below	See below
Senior secured bank loan fund	18,723	6,666	See below	See below	See below
Hedge funds	2,718	—	See below	See below	See below
Total other investments measured using net asset valuations	\$322,241	\$84,229			

Private equity partnerships – Included in the Company's investments in private equity partnerships are alternative asset limited partnerships (or similar corporate structures) that invest in certain private equity asset classes including U.S. and global leveraged buyouts; mezzanine investments; distressed securities; real estate; and oil, gas and power. The fair values of the investments in this category have been estimated

in respect of the net asset value of the investments, as discussed in detail above. The Company generally has no right to redeem its interest in any of these private equity partnerships in advance of dissolution of the applicable private equity partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equity partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 7 to 10 years from inception of the respective limited partnership.

Senior secured bank loan fund – The Company has \$18.7 million invested in a closed end fund which invests primarily in loans. The Company has no right to redeem its investment in this fund. The Company's investments in this fund is valued using the estimated monthly net asset valuation received from the investment manager, as discussed in detail above. It is estimated that the majority of the underlying assets in the closed end fund would liquidate over 4 to 5 years from inception of the fund.

Hedge funds – The Company invests in hedge funds that pursue multiple strategies. The fair values of the investments in this category are estimated using the net asset value per share of the funds, as discussed in detail above. The Company's investments in hedge funds at September 30, 2014 are \$2.7 million of so called "side pocket" investments which are not redeemable at the option of the shareholder. The Company will retain its interest in the side pocket investments referred to above, until the underlying investments attributable to such side pockets are liquidated, realized or deemed realized at the discretion of the fund manager.

#### NOTE 6. REINSURANCE

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, generally in excess of various retentions or on a proportional basis. In addition to loss recoveries, certain of the Company's ceded reinsurance contracts provide for recoveries of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to other reinsurance contracts. The Company remains liable to the extent that any reinsurance company fails to meet its obligations.

The following table sets forth the effect of reinsurance and retrocessional activity on premiums written and earned and on net claims and claim expenses incurred:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Premiums written				
Direct	\$20,481	\$12,198	\$54,043	\$38,848
Assumed	180,511	170,451	1,363,749	1,482,442
Ceded	(41,279)	) (55,408	) (461,325	) (398,127
Net premiums written	\$159,713	\$127,241	\$956,467	\$1,123,163
Premiums earned				
Direct	\$18,101	\$11,395	\$47,279	\$32,057
Assumed	354,142	387,194	1,090,129	1,134,673
Ceded	(113,264)	) (103,872	) (331,479	) (308,869
Net premiums earned	\$258,979	\$294,717	\$805,929	\$857,861
Claims and claim expenses				
Gross claims and claim expenses incurred	\$76,973	\$66,712	\$242,187	\$217,705
Claims and claim expenses recovered	(7,326)	) (5,784	) (32,237	) (25,564
Net claims and claim expenses incurred	\$69,647	\$60,928	\$209,950	\$192,141

## NOTE 7. NONCONTROLLING INTERESTS

A summary of the Company's noncontrolling interests on its consolidated balance sheets is set forth below:

	September 30, 2014	December 31, 2013
Redeemable noncontrolling interest - DaVinciRe	\$996,364	\$1,063,368
Redeemable noncontrolling interest - Medici	94,802	36,492
Redeemable noncontrolling interest	\$1,091,166	\$1,099,860

A summary of the Company's noncontrolling interests on its consolidated statements of operations set forth below:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Redeemable noncontrolling interest - DaVinciRe	\$28,136	\$43,868	\$105,022	\$96,692
Redeemable noncontrolling interest - Medici	2,341	436	4,301	443
Noncontrolling interest - Angus Fund	—	27	—	(182)
Net income attributable to noncontrolling interests	\$30,477	\$44,331	\$109,323	\$96,953

## Redeemable Noncontrolling Interest – DaVinciRe

In October 2001, the Company formed DaVinciRe and DaVinci with other equity investors. RenaissanceRe owns a noncontrolling economic interest in DaVinciRe; however, because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe are included in the consolidated financial statements of the Company. The portion of DaVinciRe's earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to noncontrolling interests. The Company's noncontrolling economic ownership in DaVinciRe was 23.4% at September 30, 2014 (December 31, 2013 - 27.3%). DaVinciRe shareholders are party to a shareholders agreement (the "Shareholders Agreement") which provides DaVinciRe shareholders, excluding RenaissanceRe, with certain redemption rights that enable each shareholder to notify DaVinciRe of such shareholder's desire for DaVinciRe to repurchase up to half of such shareholder's initial aggregate number of shares held, subject to certain limitations, such as limiting the aggregate of all share repurchase requests to 25% of DaVinciRe's capital in any given year and satisfying all applicable regulatory requirements. If total shareholder requests exceed 25% of DaVinciRe's capital, the number of shares repurchased will be reduced among the requesting shareholders pro-rata, based on the amounts desired to be repurchased. Shareholders desiring to have DaVinci repurchase their shares must notify DaVinciRe before March 1 of each year. The repurchase price will be based on GAAP book value as of the end of the year in which the shareholder notice is given, and the repurchase will be effective as of such date. Payment will be made by April 1 of the following year, following delivery of the audited financial statements for the year in which the repurchase was effective. The repurchase price is subject to a true-up for development on outstanding loss reserves after settlement of all claims relating to the applicable years.

2013

During January 2013, DaVinciRe redeemed shares from certain DaVinciRe shareholders (including those who submitted redemption notices in advance of the March 1, 2012 annual redemption notice date, as discussed above) while certain other DaVinciRe shareholders purchased additional shares in DaVinciRe. The net redemption as a result of these transactions was \$150.0 million. In connection with the redemptions, DaVinciRe retained a \$20.5 million holdback. The Company's noncontrolling economic ownership in DaVinciRe was 30.8% at December 31, 2012 and subsequent to the above transactions, the Company's noncontrolling economic ownership in DaVinciRe increased to 32.9% effective January 1, 2013.

Effective October 1, 2013, an existing third party shareholder sold a portion of its shares in DaVinciRe to a new third party shareholder. In addition, effective October 1, 2013, the Company sold a portion of its shares of DaVinciRe to the same new third party shareholder. The Company sold these shares for \$77.4 million and subsequent to the above transactions, its noncontrolling economic ownership interest in DaVinciRe decreased, and was 27.3% at December 31, 2013.

2014

During January 2014, DaVinciRe redeemed a portion of its outstanding shares from all existing DaVinciRe shareholders, including the Company, while a new DaVinciRe shareholder purchased shares in DaVinciRe. The net redemption as a result of these transactions was \$300.0 million. In connection with the redemption, DaVinciRe retained a \$60.0 million holdback. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 26.5%, effective January 1, 2014. During February 2014, DaVinciRe paid \$30.0 million of the \$60.0 million holdback. There were no additional payments of the holdback during the second and third quarters of 2014.

Effective July 1, 2014, the Company sold a portion of its shares of DaVinciRe to an existing third party shareholder. The Company sold these shares for \$38.9 million. The Company's ownership in DaVinciRe was 26.5% at June 30, 2014 and subsequent to the above transaction, its ownership interest in DaVinciRe decreased to 23.4% effective July 1, 2014.

The Company expects its noncontrolling economic ownership in DaVinciRe to fluctuate over time.

The activity in redeemable noncontrolling interest – DaVinciRe is detailed in the table below:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	\$930,231	\$889,116	\$1,063,368	\$968,259
Redemption of shares from redeemable noncontrolling interest	(857)	(1,095)	(220,602)	(187,989)
Sale of shares to redeemable noncontrolling interests	38,854	583	48,576	55,510
Net income attributable to redeemable noncontrolling interest	28,136	43,868	105,022	96,692
Ending balance	\$996,364	\$932,472	\$996,364	\$932,472

#### Redeemable Noncontrolling Interest - RenaissanceRe Medici Fund Ltd. ("Medici")

Medici is an exempted company incorporated under the laws of Bermuda and its objective is to seek to invest substantially all of its assets in various insurance-based investment instruments that have returns primarily tied to property catastrophe risk. RenaissanceRe owns a noncontrolling economic interest in Medici; however, because RenaissanceRe controls all of Medici's outstanding voting rights, the financial statements of Medici are included in the consolidated financial statements of the Company. The portion of Medici's earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to noncontrolling interests. Any shareholder may redeem all or any portion of its shares as of the last day of any calendar month, upon at least 30 calendar days' prior irrevocable written notice to Medici. As the participating, non-voting common shares of Medici have redemption features which are outside the control of the issuer, the portion related to the redeemable noncontrolling interest in Medici is recorded in the mezzanine section of the consolidated balance sheets of the Company.

2013

Prior to June 1, 2013, Medici was a wholly owned subsidiary of RenaissanceRe Fund Holdings Ltd., which in turn is a wholly owned subsidiary of RenaissanceRe. Subsequent to June 1, 2013, third-party investors subscribed for, and redeemed, an aggregate of \$37.2 million and \$1.3 million, respectively, of the participating, non-voting common shares of Medici. As a result of the third-party investments during the period from June 1, 2013 through December 31, 2013, the Company's economic ownership in Medici was 73.9% at December 31, 2013.





2014

During the nine months ended September 30, 2014, third-party investors subscribed for and redeemed an aggregate of \$57.1 million and \$3.1 million, respectively, of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company's economic ownership in Medici decreased to 49.6%, effective September 30, 2014.

The Company expects its ownership in Medici to fluctuate over time.

The activity in redeemable noncontrolling interest – Medici is detailed in the table below:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	\$93,661	\$8,007	\$36,492	\$—
Redemption of shares from redeemable noncontrolling interest	(1,200)	) —	(3,075)	) —
Sale of shares to redeemable noncontrolling interests	—	5,000	57,084	13,000
Net income attributable to redeemable noncontrolling interest	2,341	436	4,301	443
Ending balance	\$94,802	\$13,443	\$94,802	\$13,443

#### Noncontrolling Interest - Angus Fund L.P. (the “Angus Fund”)

In December 2010, REAL and RRCA, both formerly wholly owned subsidiaries of RenaissanceRe, formed the Angus Fund with other equity investors. The Angus Fund was formed to provide capital to and make investments in companies primarily in the heating oil and propane distribution industries and Angus Partners LLC (“Angus”) was formed to provide commodity related risk management products to third party customers.

As part of the agreement to sell REAL to Munich (see “Note 3. Discontinued Operations” for additional information), the former general partner of the Angus Fund, REAL, transferred its general partner ownership interest to RRV U.S. Holdings LLC, a wholly owned subsidiary of RenaissanceRe, representing a \$55 thousand investment in the Angus Fund, or a 1.1% ownership interest, and RRCA, a former limited partner, transferred its limited partner ownership interest to RenTech U.S. Holdings LLC (“RenTech”), a wholly owned subsidiary of RenaissanceRe, representing a \$2.0 million investment in the Angus Fund, or a 35.0% ownership interest. There was no gain or loss recognized on the above transactions.

Effective December 1, 2013, both RRV U.S. and RenTech contributed their ownership interests in the Angus Fund to Angus for \$2.3 million, in return for equity interests in Angus. The Company previously had an equity interest of 38.8% in Angus, and as a result of these transactions, its equity interest in Angus increased to 42.5%. In addition, these transactions resulted in \$1.7 million of additional goodwill related to the Company's additional investment in Angus. During the first quarter of 2014, Angus raised additional capital from its existing third party investors. The Company did not participate in this capital raise and, as a result, the Company's ownership interest in Angus is 40.4% at September 30, 2014. The Company records its equity investment in Angus one quarter in arrears.

Prior to December 1, 2013, the Angus Fund met the definition of a VIE; therefore the Company evaluated its ownership in the Angus Fund to determine if it was the primary beneficiary. The Company had concluded it was the primary beneficiary of the Angus Fund as it had the power to direct, and had a more than insignificant economic interest in, the activities of the Angus Fund and as such, the financial position and results of operations of the Angus Fund were consolidated. The portion of the Angus Fund's earnings owned by third parties was recorded in the consolidated statements of operations as net income attributable to noncontrolling interest. Effective December 1, 2013, the Company concluded that it no longer had the power to direct the activities, nor was it the primary beneficiary, of the Angus Fund and as a result, it was deconsolidated. At September 30, 2014 and December 31, 2013, the Company's equity investment in Angus is recorded under investments in other ventures, under equity method on the Company's consolidated balance sheets.



The activity in noncontrolling interest – Angus Fund is detailed in the table below:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Beginning balance	\$—	\$3,693	\$—	\$3,991
Adjustment of ownership interest	—	—	—	139
Net loss attributable to noncontrolling interest	—	27	—	(182)
Dividends on common shares	—	—	—	(228)
Ending balance	\$—	\$3,720	\$—	\$3,720

#### NOTE 8. VARIABLE INTEREST ENTITIES

##### Upsilon RFO

Effective January 1, 2013, the Company formed and launched Upsilon RFO, a managed joint venture, and a Bermuda domiciled SPI, to provide additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market.

The shareholders (other than the Class A shareholder) participate in substantially all of the profits or losses of Upsilon RFO while their shares remain outstanding. The shareholders (other than the Class A shareholder) indemnify Upsilon RFO against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. Both Upsilon RFO and the insurance participation are managed by RUM in return for an expense override and profit commission.

Upsilon RFO is considered a VIE as it has insufficient equity capital to finance its activities without additional financial support. The Company is the primary beneficiary of Upsilon RFO as it: (i) has the power over the activities that most significantly impact the economic performance of Upsilon RFO and (ii) has the obligation to absorb losses, and right to receive benefits, in accordance with the accounting guidance, that could be significant to Upsilon RFO.

As a result, the Company consolidates Upsilon RFO and all significant inter-company transactions have been eliminated. The Company has not provided financial or other support to Upsilon RFO that was not contractually required to be provided.

##### 2013

Original business was written directly by Upsilon RFO and included \$53.5 million of gross premiums written incepting January 1, 2013 under fully-collateralized reinsurance contracts. In conjunction with the formation and launch of Upsilon RFO, \$61.0 million of Upsilon RFO non-voting Class B shares were sold to unaffiliated third party investors. Additionally, \$76.4 million of the non-voting Class B shares were acquired by the Company, representing a 55.6% participation in the original risks assumed by Upsilon RFO effective January 1, 2013. In addition, another third party investor supplied \$17.5 million of capital through an insurance contract with the Company related to Upsilon RFO's reinsurance portfolio. Inclusive of the insurance contract, the Company had a 42.9% participation in the original risks assumed by Upsilon RFO effective January 1, 2013.

On July 1, 2013, the Company sold a portion of its shares of Upsilon RFO to a new third party shareholder for \$25.0 million. The Company's participation in the original risks assumed by Upsilon RFO prior to January 1, 2014 was 25.8%, inclusive of the related insurance contract, effective December 31, 2013.

Original business written directly by Upsilon RFO and incepting during 2013 has expired, and the associated non-voting Class B share capital contributed by unaffiliated third party investors and the Company has been settled in full. No additional business or non-voting Class B share capital remains outstanding related to original business incepted during 2013.

2014

In conjunction with risks incepting during the first quarter of 2014, \$172.4 million of Upsilon RFO non-voting preference shares were sold to unaffiliated third-party investors. Additionally, \$109.7 million of the non-voting preference shares were acquired by the Company, representing a 38.9% participation in the risks assumed by Upsilon RFO incepting during the first quarter of 2014. In addition, another third party investor supplied \$15.0 million of capital through an insurance contract with the Company related to Upsilon RFO's reinsurance portfolio. Inclusive of the insurance contract, the Company has a 33.6% participation in the original risks assumed by Upsilon RFO in conjunction with risks incepting during the first quarter of 2014.

In conjunction with risks incepting during the second quarter of 2014, \$43.1 million of Upsilon RFO non-voting preference shares were sold to unaffiliated third-party investors. Additionally, \$13.5 million of the non-voting preference shares were acquired by the Company, representing a 23.9% participation in the risks assumed by Upsilon RFO incepting during the second quarter of 2014. In addition, another third party investor supplied \$5.0 million of capital through an insurance contract with the Company related to Upsilon RFO's reinsurance portfolio. Inclusive of the insurance contract, the Company has a 15.0% participation in the original risks assumed by Upsilon RFO in conjunction with risks incepting during the second quarter of 2014.

At September 30, 2014, the Company's consolidated balance sheet included total assets and total liabilities of Upsilon RFO of \$463.9 million and \$463.9 million, respectively (December 31, 2013 - \$474.2 million and \$474.2 million, respectively, including \$156.3 million of capital raised from third party investors and received by Upsilon RFO prior to December 31, 2013 for risks incepted during the first quarter of 2014).

Inclusive of all capital raised for risks incepting during the first nine months of 2014, the Company has a 30.5% participation in the original risks assumed by Upsilon RFO for the period from January 1, 2014 through September 30, 2014.

Mona Lisa Re Ltd. ("Mona Lisa Re")

On March 14, 2013, Mona Lisa Re was licensed as a Bermuda domiciled SPI to provide reinsurance capacity to subsidiaries of RenaissanceRe, namely Renaissance Reinsurance and DaVinci, through reinsurance agreements which will be collateralized and funded by Mona Lisa Re through the issuance of one or more series of principal-at-risk variable rate notes ("Notes") to third-party investors.

Upon issuance of a series of Notes by Mona Lisa Re, all of the proceeds from the issuance are expected to be deposited into collateral accounts, separated by series, to fund any potential obligation under the reinsurance agreements entered into with Renaissance Reinsurance and/or DaVinci underlying such series of Notes. The outstanding principal amount of each series of Notes generally will be returned to holders of such Notes upon the expiration of the risk period underlying such Notes, unless an event occurs which causes a loss under the applicable series of Notes, in which case the amount returned will be reduced by such noteholder's pro rata share of such loss, as specified in the applicable governing documents of such Notes. In addition, holders of Notes are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each series of Notes. The Company concluded that Mona Lisa Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. Therefore, the Company evaluated its relationship with Mona Lisa Re and concluded it does not have a variable interest in Mona Lisa Re. As a result, the financial position and results of operations of Mona Lisa Re are not consolidated by the Company. At September 30, 2014, the total assets and total liabilities of Mona Lisa Re were \$187.1 million and \$187.1 million, respectively (December 31, 2013 - \$209.6 million and \$209.6 million, respectively).

The only transactions related to Mona Lisa Re that are recorded in the Company's consolidated financial statements are the ceded reinsurance agreements entered into by Renaissance Reinsurance and DaVinci which are accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. Renaissance Reinsurance and DaVinci have together entered into ceded reinsurance contracts with Mona Lisa Re with gross premiums ceded of \$8.6 million and \$6.3 million, respectively, during the nine months ended September 30, 2014 (2013 - \$9.2 million and \$1.2 million, respectively). In addition, Renaissance Reinsurance and DaVinci recognized ceded premiums earned related to the ceded reinsurance contracts with Mona Lisa Re of \$6.9 million and \$4.9 million, respectively, during the nine months ended September 30, 2014 (2013 - \$0.3 million and \$0.3 million, respectively).



#### NOTE 9. SHAREHOLDERS' EQUITY

The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of \$0.29 per common share to shareholders of record on March 14, 2014, June 13, 2014 and September 15, 2014. During the nine months ended September 30, 2014, the Company declared and paid \$16.8 million in preference share dividends (2013 - \$19.4 million) and \$34.8 million in common share dividends (2013 - \$37.0 million).

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. Unless terminated earlier by resolution of RenaissanceRe's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The Company's decision to repurchase common shares will depend on, among other matters, the market price of the common shares and the capital requirements of the Company. During the nine months ended September 30, 2014, the Company repurchased an aggregate of 5.0 million shares in open market transactions, at an aggregate cost of \$478.6 million, and at an average share price of \$95.79. On August 6, 2014, RenaissanceRe's Board of Directors approved a renewal of the Company's authorized share repurchase program for an aggregate amount of \$500.0 million. At September 30, 2014, \$365.3 million remained available for repurchase under the Board authorized share repurchase program. See "Part II, Item 2 - Unregistered Sales of Equity Securities and use of Proceeds" for additional information. See "Note 15. Subsequent Events" for additional information related to share repurchases subsequent to September 30, 2014.

In March 2004, RenaissanceRe raised \$250.0 million through the issuance of 10 million Series C Preference Shares at \$25 per share; in December 2006, RenaissanceRe raised \$300.0 million through the issuance of 12 million Series D Preference Shares at \$25 per share; and in May 2013, RenaissanceRe raised \$275.0 million through the issuance of 11 million Series E Preference Shares at \$25 per share. On December 27, 2012, the Company redeemed 6 million Series D Preference Shares for \$150.0 million plus accrued and unpaid dividends thereon. Following the redemption, 6 million Series D Preference Shares remained outstanding. In May 2013, RenaissanceRe announced a mandatory redemption of the remaining 6 million of its outstanding Series D Preference Shares, using the proceeds from the issuance of the Series E Preference Shares, and on June 27, 2013 RenaissanceRe redeemed the remaining 6 million Series D Preference Shares called for redemption for \$150.0 million plus accrued and unpaid dividends thereon. Following the redemption, no Series D Preference Shares remain outstanding. In addition, in May 2013, RenaissanceRe announced a mandatory partial redemption of 5 million of its outstanding Series C Preference Shares, using the proceeds from the issuance of the Series E Preference Shares. The partial redemption was allocated by random lottery in accordance with the Depository Trust Company's rules and procedures and on June 27, 2013 RenaissanceRe redeemed the 5 million Series C Preference Shares called for redemption for \$125.0 million plus accrued and unpaid dividends thereon. Following the redemption, 5 million Series C Preference Shares remain outstanding.

The Series E Preference Shares and the remaining Series C Preference Shares may be redeemed at \$25 per share plus certain dividends at RenaissanceRe's option on or after June 1, 2018 and March 23, 2009, respectively. Dividends on the Series C Preference Shares are cumulative from the date of original issuance and are payable quarterly in arrears at 6.08% per annum, when, if, and as declared by the Board of Directors. Dividends on the Series E Preference Shares will be payable from the date of original issuance on a non-cumulative basis, only when, as and if declared by the Board of Directors, quarterly in arrears at 5.375% per annum. Unless certain dividend payments are made on the preference shares, RenaissanceRe will be restricted from paying any dividends on its common shares. The preference shares have no stated maturity and are not convertible into any other securities of RenaissanceRe. Generally, the preference shares have no voting rights. Whenever dividends payable on the preference shares are in arrears (whether or not such dividends have been earned or declared) in an amount equivalent to dividends for six full dividend periods (whether or not consecutive), the holders of the preference shares, voting as a single class regardless of class or series, will have the right to elect two directors to the Board of Directors of RenaissanceRe.

## NOTE 10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(thousands of shares)	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Numerator:				
Net income available to RenaissanceRe common shareholders	\$67,815	\$179,740	\$339,570	\$397,020
Amount allocated to participating common shareholders (1)	(904)	(2,539)	(4,466)	(5,740)
Net income allocated to RenaissanceRe common shareholders	\$66,911	\$177,201	\$335,104	\$391,280
Denominator:				
Denominator for basic income per RenaissanceRe common share - weighted average common shares	38,975	43,330	39,983	43,412
Per common share equivalents of employee stock options and restricted shares	458	805	595	835
Denominator for diluted income per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	39,433	44,135	40,578	44,247
Net income available to RenaissanceRe common shareholders per common share – basic	\$1.72	\$4.09	\$8.38	\$9.01
Net income available to RenaissanceRe common shareholders per common share – diluted	\$1.70	\$4.01	\$8.26	\$8.84

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company's 2001 Stock Incentive Plan and Non-Employee Director Stock Incentive Plan.

## NOTE 11. SEGMENT REPORTING

The Company has the following reportable segments: (1) Catastrophe Reinsurance, which includes catastrophe reinsurance and certain property catastrophe joint ventures managed by the Company's ventures unit; (2) Specialty Reinsurance, which includes specialty reinsurance and certain specialty joint ventures managed by the Company's ventures unit; and (3) Lloyd's, which includes reinsurance and insurance business written through Syndicate 1458. RenaissanceRe CCL, an indirect wholly owned subsidiary of RenaissanceRe, is the sole corporate member of Syndicate 1458. All prior periods presented have been reclassified to conform to this presentation.

The financial results of the Company's strategic investments, former Insurance segment, discontinued operations related to REAL and current noncontrolling interests 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 the Company's investments in other ventures, investments unit, corporate expenses and capital servicing costs.

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

A summary of the significant components of the Company's revenues and expenses is as follows:

Three months ended September 30, 2014	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total
Gross premiums written	\$68,252	\$68,883	\$63,857	\$—	\$200,992
Net premiums written	\$41,807	\$61,879	\$56,027	\$—	\$159,713
Net premiums earned	\$136,719	\$63,473	\$58,788	\$(1 )	\$258,979
Net claims and claim expenses incurred	(666 )	31,759	39,027	(473 )	69,647
Acquisition expenses	9,131	15,806	12,614	(1 )	37,550
Operational expenses	24,154	10,234	12,475	109	46,972
Underwriting income (loss)	\$104,100	\$5,674	\$(5,328 )	\$364	104,810
Net investment income				24,941	24,941
Net foreign exchange gains				5,036	5,036
Equity in earnings of other ventures				9,806	9,806
Other loss				(1,169 )	(1,169 )
Net realized and unrealized losses on investments				(31,097 )	(31,097 )
Corporate expenses				(3,905 )	(3,905 )
Interest expense				(4,290 )	(4,290 )
Income before taxes and noncontrolling interests					104,132
Income tax expense				(245 )	(245 )
Net income attributable to noncontrolling interests				(30,477 )	(30,477 )
Dividends on preference shares				(5,595 )	(5,595 )
Net income available to RenaissanceRe common shareholders					\$67,815
Net claims and claim expenses incurred – current accident year	\$9,661	\$46,444	\$38,882	\$—	\$94,987
Net claims and claim expenses incurred – prior accident years	(10,327 )	(14,685 )	145	(473 )	(25,340 )
Net claims and claim expenses incurred – total	\$(666 )	\$31,759	\$39,027	\$(473 )	\$69,647
Net claims and claim expense ratio – current accident year	7.1 %	73.2 %	66.1 %	— %	36.7 %
Net claims and claim expense ratio – prior accident years	(7.6 )%	(23.2 )%	0.3 %	47,300.0 %	(9.8 )%
Net claims and claim expense ratio – calendar year	(0.5 )%	50.0 %	66.4 %	47,300.0 %	26.9 %
Underwriting expense ratio	24.4 %	41.1 %	42.7 %	(10,800.0 )%	32.6 %
Combined ratio	23.9 %	91.1 %	109.1 %	36,500.0 %	59.5 %



Nine months ended September 30, 2014	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total
Gross premiums written	\$924,046	\$274,727	\$219,019	\$—	\$1,417,792
Net premiums written	\$534,994	\$233,622	\$187,848	\$3	\$956,467
Net premiums earned	\$460,455	\$186,691	\$158,757	\$26	\$805,929
Net claims and claim expenses incurred	42,519	77,915	90,419	(903 )	209,950
Acquisition expenses	34,063	44,052	33,303	(6,691 )	104,727
Operational expenses	66,773	30,854	37,566	244	135,437
Underwriting income (loss)	\$317,100	\$33,870	\$(2,531 )	\$7,376	355,815
Net investment income				98,430	98,430
Net foreign exchange gains				6,367	6,367
Equity in earnings of other ventures				21,237	21,237
Other loss				(1,642 )	(1,642 )
Net realized and unrealized gains on investments				10,958	10,958
Corporate expenses				(12,404 )	(12,404 )
Interest expense				(12,875 )	(12,875 )
Income before taxes and noncontrolling interests					465,886
Income tax expense				(207 )	(207 )
Net income attributable to noncontrolling interests				(109,323 )	(109,323 )
Dividends on preference shares				(16,786 )	(16,786 )
Net income available to RenaissanceRe common shareholders					\$339,570
Net claims and claim expenses incurred – current accident year	\$60,663	\$113,809	\$94,594	\$—	\$269,066
Net claims and claim expenses incurred – prior accident years	(18,144 )	(35,894 )	(4,175 )	(903 )	(59,116 )
Net claims and claim expenses incurred – total	\$42,519	\$77,915	\$90,419	\$(903 )	\$209,950
Net claims and claim expense ratio – current accident year	13.2 %	61.0 %	59.6 %	— %	33.4 %
Net claims and claim expense ratio – prior accident years	(4.0 )%	(19.3 )%	(2.6 )%	(3,473.1 )%	(7.3 )%
Net claims and claim expense ratio – calendar year	9.2 %	41.7 %	57.0 %	(3,473.1 )%	26.1 %
Underwriting expense ratio	21.9 %	40.2 %	44.6 %	(24,796.1 )%	29.8 %
Combined ratio	31.1 %	81.9 %	101.6 %	(28,269.2 )%	55.9 %

Three months ended September 30, 2013	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total
Gross premiums written	\$82,539	\$60,156	\$39,954	\$—	\$182,649
Net premiums written	\$32,380	\$55,717	\$39,014	\$130	\$127,241
Net premiums earned	\$184,416	\$63,045	\$47,150	\$106	\$294,717
Net claims and claim expenses incurred	16,897	17,520	28,175	(1,664 )	60,928
Acquisition expenses	14,049	14,691	8,938	21	37,699
Operational expenses	24,573	7,303	12,559	237	44,672
Underwriting income (loss)	\$128,897	\$23,531	\$(2,522 )	\$1,512	151,418
Net investment income				59,931	59,931
Net foreign exchange gains				488	488
Equity in earnings of other ventures				7,313	7,313
Other income				651	651
Net realized and unrealized gains on investments				28,472	28,472
Corporate expenses				(4,307 )	(4,307 )
Interest expense				(4,298 )	(4,298 )
Income from continuing operations before taxes					239,668
Income tax expense				(223 )	(223 )
Loss from discontinued operations				(9,779 )	(9,779 )
Net income attributable to noncontrolling interests				(44,331 )	(44,331 )
Dividends on preference shares				(5,595 )	(5,595 )
Net income attributable to RenaissanceRe common shareholders					\$179,740
Net claims and claim expenses incurred – current accident year	\$23,041	\$20,227	\$24,886	\$—	\$68,154
Net claims and claim expenses incurred – prior accident years	(6,144 )	(2,707 )	3,289	(1,664 )	(7,226 )
Net claims and claim expenses incurred – total	\$16,897	\$17,520	\$28,175	\$(1,664 )	\$60,928
Net claims and claim expense ratio – current accident year	12.5 %	32.1 %	52.8 %	— %	23.1 %
Net claims and claim expense ratio – prior accident years	(3.3 )%	(4.3 )%	7.0 %	(1,569.8 )%	(2.4 )%
Net claims and claim expense ratio – calendar year	9.2 %	27.8 %	59.8 %	(1,569.8 )%	20.7 %
Underwriting expense ratio	20.9 %	34.9 %	45.5 %	243.4 %	27.9 %
Combined ratio	30.1 %	62.7 %	105.3 %	(1,326.4 )%	48.6 %



Nine months ended September 30, 2013	Catastrophe Reinsurance	Specialty Reinsurance	Lloyd's	Other	Total	
Gross premiums written (1)	\$1,138,238	\$201,025	\$183,015	\$(988)	)	\$1,521,290
Net premiums written	\$774,585	\$188,584	\$159,581	\$413		\$1,123,163
Net premiums earned	\$571,550	\$159,060	\$126,862	\$389		\$857,861
Net claims and claim expenses incurred	72,520	53,723	68,239	(2,341)	)	192,141
Acquisition expenses	37,866	32,139	24,338	132		94,475
Operational expenses	74,287	22,458	36,193	509		133,447
Underwriting income (loss)	\$386,877	\$50,740	\$(1,908)	)	\$2,089	437,798
Net investment income				129,296		129,296
Net foreign exchange gains				170		170
Equity in earnings of other ventures				16,920		16,920
Other loss				(2,186)	)	(2,186)
Net realized and unrealized losses on investments				(26,788)	)	(26,788)
Corporate expenses				(30,318)	)	(30,318)
Interest expense				(13,632)	)	(13,632)
Income from continuing operations before taxes						511,260
Income tax expense				(356)	)	(356)
Income from discontinued operations				2,422		2,422
Net income attributable to noncontrolling interests				(96,953)	)	(96,953)
Dividends on preference shares				(19,353)	)	(19,353)
Net income attributable to RenaissanceRe common shareholders						\$397,020
Net claims and claim expenses incurred – current accident year	\$115,586	\$76,983	\$71,274	\$—		\$263,843
Net claims and claim expenses incurred – prior accident years	(43,066)	) (23,260)	) (3,035)	) (2,341)	)	(71,702)
Net claims and claim expenses incurred – total	\$72,520	\$53,723	\$68,239	\$(2,341)	)	\$192,141
Net claims and claim expense ratio – current accident year	20.2	% 48.4	% 56.2	% —	% 30.8	%
Net claims and claim expense ratio – prior accident years	(7.5)	)% (14.6)	)% (2.4)	)% (601.8)	)% (8.4)	)%
Net claims and claim expense ratio – calendar year	12.7	% 33.8	% 53.8	% (601.8)	)% 22.4	%
Underwriting expense ratio	19.6	% 34.3	% 47.7	% 164.8	% 26.6	%
Combined ratio	32.3	% 68.1	% 101.5	% (437.0)	)% 49.0	%

(1) Included in gross premiums written in the Other category is the elimination of inter-segment gross premiums written of \$1.0 million.

**NOTE 12. DERIVATIVE INSTRUMENTS**

The Company enters into derivative instruments such as futures, options, swaps, forward contracts and other derivative contracts primarily to manage its foreign currency exposure, obtain exposure to a particular financial market, for yield enhancement, or for trading and speculation. The Company accounts for its derivatives in accordance with FASB ASC Topic Derivatives and Hedging, which requires all derivatives to be recorded at fair value on the Company's balance sheet as either assets or liabilities, depending on the rights or obligations of the derivatives, with changes in fair value reflected in current earnings. The Company does not currently apply hedge accounting in respect of any positions reflected in its consolidated financial statements. The Company's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event one party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so

that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

The tables below show the gross and net amounts of recognized derivative assets and liabilities, including the location on the consolidated balance sheets and fair value of the Company's principal derivative instruments:

Derivative Assets						
At September 30, 2014	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet	Balance Sheet Location	Collateral	Net Amount
Interest rate futures	\$674	192	\$482	Other assets	\$—	\$482
Foreign currency forward contracts (1)	6,449	519	5,930	Other assets	—	5,930
Foreign currency forward contracts (2)	1,916	454	1,462	Other assets	—	1,462
Credit default swaps	682	79	603	Other assets	570	33
Call rights	264	—	264	Other assets	—	264
Total	\$9,985	\$1,244	\$8,741		\$570	\$8,171
Derivative Liabilities						
At September 30, 2014	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet	Balance Sheet Location	Collateral Pledged	Net Amount
Interest rate futures	\$195	192	\$3	Other liabilities	\$3	\$—
Foreign currency forward contracts (1)	12,592	2,673	9,919	Other liabilities	—	9,919
Foreign currency forward contracts (2)	469	454	15	Other liabilities	—	15
Credit default swaps	97	79	18	Other liabilities	—	18
Weather contract	254	—	254	Other liabilities	254	—
Total	\$13,607	\$3,398	\$10,209		\$257	\$9,952

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(2) Contracts used to manage foreign currency risks in investment operations.

At December 31, 2013	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$897	62	\$835	Other assets	\$—	\$835
Foreign currency forward contracts (1)	9,612	1,179	8,433	Other assets	—	8,433
Foreign currency forward contracts (2)	1,013	338	675	Other assets	—	675
Credit default swaps	806	82	724	Other assets	310	414
Total	\$12,328	\$1,661	\$10,667		\$310	\$10,357

At December 31, 2013	Derivative Liabilities			Balance Sheet Location	Collateral Pledged	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$74	62	\$12	Other liabilities	\$12	\$—
Foreign currency forward contracts (1)	2,204	28	2,176	Other liabilities	—	2,176
Foreign currency forward contracts (2)	1,557	338	1,219	Other liabilities	—	1,219
Credit default swaps	94	82	12	Other liabilities	—	12
Weather contract	2,490	—	2,490	Other liabilities	2,490	—
Total	\$6,419	\$510	\$5,909		\$2,502	\$3,407

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(2) Contracts used to manage foreign currency risks in investment operations.

Refer to “Note 4. Investments” for information on reverse repurchase agreements.

The location and amount of the gain (loss) recognized in the Company's consolidated statements of operations related to its principal derivative instruments are shown in the following table:

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2014	2013
Three months ended September 30,			
Interest rate futures	Net realized and unrealized (losses) gains on investments	\$(1,805	) \$3,291
Foreign currency forward contracts (1)	Net foreign exchange gains	(1,340	) 11,388
Foreign currency forward contracts (2)	Net foreign exchange gains	8,827	(5,016 )
Credit default swaps	Net realized and unrealized (losses) gains on investments	(72	) 266
Weather contract	Net realized and unrealized (losses) gains on investments	9	—
Call rights	Other (loss) income	(1,956	) —
Other	Other (loss) income	—	281
Total		\$3,663	\$10,210
	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2014	2013
Nine months ended September 30,			
Interest rate futures	Net realized and unrealized (losses) gains on investments	\$(21,441	) \$23,496
Foreign currency forward contracts (1)	Net foreign exchange gains	769	512
Foreign currency forward contracts (2)	Net foreign exchange gains	7,486	(3,670 )
Credit default swaps	Net realized and unrealized (losses) gains on investments	386	992
Weather contract	Net realized and unrealized (losses) gains on investments	1,404	—
Call rights	Other (loss) income	264	—
Other	Other (loss) income	—	281
Total		\$(11,132	) \$21,611

(1) Contracts used to manage foreign currency risks in underwriting and non-investment operations.

(2) Contracts used to manage foreign currency risks in investment operations.

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at September 30, 2014.

#### Interest Rate Futures

The Company uses interest rate futures within its portfolio of fixed maturity investments to manage its exposure to interest rate risk, which can include increasing or decreasing its exposure to this risk. At September 30, 2014, the Company had \$493.9 million of notional long positions and \$566.6 million of notional short positions of primarily Eurodollar, U.S. treasury and non-U.S. dollar futures contracts (December 31, 2013 - \$1,169.3 million and \$356.6 million, respectively). The fair value of these derivatives is determined using exchange traded prices.



#### Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-monetary assets and liabilities, are recognized currently in the Company's consolidated statements of operations.

#### Underwriting Operations Related Foreign Currency Contracts

The Company's foreign currency policy with regard to its underwriting operations is generally to hold foreign currency assets, including cash, investments and receivables that approximate the foreign currency liabilities, including claims and claim expense reserves and reinsurance balances payable. When necessary, the Company may use foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar denominated assets and liabilities associated with its underwriting operations. The fair value of the Company's underwriting operations related foreign currency contracts is determined using indicative pricing obtained from counterparties or broker quotes. At September 30, 2014, the Company had outstanding underwriting related foreign currency contracts of \$154.8 million in notional long positions and \$193.1 million in notional short positions, denominated in U.S. dollars (December 31, 2013 - \$263.6 million and \$139.8 million, respectively).

#### Investment Portfolio Related Foreign Currency Forward Contracts

The Company's investment operations are exposed to currency fluctuations through its investments in non-U.S. dollar fixed maturity investments, short term investments and other investments. To economically hedge its exposure to currency fluctuations from these investments, the Company has entered into foreign currency forward contracts. The fair value of the Company's investment portfolio related foreign currency forward contracts is determined using an interpolated rate based on closing forward market rates. At September 30, 2014, the Company had outstanding investment portfolio related foreign currency contracts of \$29.9 million in notional long positions and \$150.0 million in notional short positions, denominated in U.S. dollars (December 31, 2013 - \$39.6 million and \$159.1 million, respectively).

#### Credit Derivatives

The Company's exposure to credit risk is primarily due to its fixed maturity investments, short term investments, premiums receivable and reinsurance recoverable. From time to time, the Company purchases credit derivatives to hedge its exposures in the insurance industry, and to assist in managing the credit risk associated with ceded reinsurance. The Company also employs credit derivatives in its investment portfolio to either assume credit risk or hedge its credit exposure. The fair value of the credit derivatives is determined using industry valuation models, broker bid indications or internal pricing valuation techniques. The fair value of these credit derivatives can change based on a variety of factors including changes in credit spreads, default rates and recovery rates, the correlation of credit risk between the referenced credit and the counterparty, and market rate inputs such as interest rates. At September 30, 2014, the Company had outstanding credit derivatives of \$5.0 million in notional long positions and \$27.4 million in notional short positions, denominated in U.S. dollars (December 31, 2013 - \$7.1 million and \$18.4 million, respectively).

#### Weather Contract

The Company, from time to time, transacts in certain derivative-based risk management products that address weather-related risks. The fair value of these contracts is determined through the use of an internal valuation model with the inputs to the internal valuation model based on proprietary data as observable market inputs are not available. The most significant unobservable input is the potential payment that would become due to a counterparty following the occurrence of a triggering event as reported by an external agency. Generally, the Company's portfolio of such derivatives is relatively small and such derivatives are frequently seasonal in nature. At September 30, 2014, the Company had an outstanding weather contract with an insurance company of \$2.3 million in a notional short position (December 31, 2013 - \$6.4 million).

### Call Rights

The Company has an agreement with a counterparty that gives the counterparty the right to purchase shares the Company has in certain of its equity method investees at a price above the Company's current carrying value for those investments. The agreement is considered a derivative for accounting purposes and the Company's estimated fair value of the agreement is \$0.3 million at September 30, 2014. The fair value is based on an internal valuation model which incorporates the estimated intrinsic value of the agreement, the time value of money, and the likelihood of the agreement being exercised and ultimately settled.

### NOTE 13. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

There are no material changes from the commitments and contingencies previously disclosed in the Company's Form 10-K for the year ended December 31, 2013, other than those discussed below.

#### Syndicated Letter of Credit Facility

Effective as of March 31, 2014, RenaissanceRe reduced the commitments under its syndicated letter of credit facility from \$250.0 million to \$180.0 million, and effective June 30, 2014, RenaissanceRe further reduced the commitments under its syndicated letter of credit facility from \$180.0 million to \$100.0 million. The reductions were implemented in connection with a reassessment of the future collateral needs of RenaissanceRe, taking into account, among other things, its access to alternative sources of credit enhancement. Prior to the expiration date of May 17, 2015 and after giving effect to the reduction noted above, the commitments may, subject to the satisfaction of certain conditions, be increased from time to time up to an aggregate amount not to exceed \$450.0 million.

#### Legal Proceedings

The Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct surplus lines insurance policies. This category of business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or disputes arising from the Company's business ventures. The Company's operating subsidiaries are subject to claims litigation involving, among other things, disputed interpretations of policy coverages. Generally, the Company's direct surplus lines insurance operations are subject to greater frequency and diversity of claims and claims-related litigation than its reinsurance operations and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving claims on policies issued by the Company's subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in its loss and loss expense reserves. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, the Company believes that no individual litigation or arbitration to which it is presently a party is likely to have a material adverse effect on its financial condition, business or operations.

### NOTE 14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT OF SUBSIDIARIES

The following tables present condensed consolidating balance sheets at September 30, 2014 and December 31, 2013, condensed consolidating statements of operations and condensed consolidating statements of comprehensive income for the three and nine months ended September 30, 2014, and condensed consolidating statements of cash flow for the nine months ended September 30, 2014 and 2013, respectively, for RenaissanceRe, RRNAH and RenaissanceRe's other subsidiaries. RRNAH is a 100% owned subsidiary of RenaissanceRe.

On March 17, 2010, RRNAH issued, and RenaissanceRe guaranteed, \$250.0 million of 5.75% Senior Notes due March 15, 2020, with interest on the notes payable on March 15 and September 15. The notes can be redeemed by RRNAH prior to maturity, subject to payment of a “make-whole” premium. The notes, which are senior obligations, contain various covenants, including limitations on mergers and consolidations, restrictions as to the disposition of the stock of designated subsidiaries and limitations on liens of the stock of designated subsidiaries.

Condensed Consolidating Balance Sheet at September 30, 2014	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Assets					
Total investments	\$108,272	\$95,402	\$6,527,750	\$—	\$6,731,424
Cash and cash equivalents	3,213	1,573	295,761	—	300,547
Investments in subsidiaries	3,474,871	69,171	—	(3,544,042)	) —
Due from subsidiaries and affiliates	97,005	14	—	(97,019)	) —
Premiums receivable	—	—	630,718	—	630,718
Prepaid reinsurance premiums	—	—	195,978	—	195,978
Reinsurance recoverable	—	—	79,043	—	79,043
Accrued investment income	3	97	25,414	—	25,514
Deferred acquisition costs	—	—	130,108	—	130,108
Receivable for investments sold	4,987	—	142,219	—	147,206
Other assets	110,729	1,302	104,574	(100,208)	) 116,397
Total assets	\$3,799,080	\$167,559	\$8,131,565	\$(3,741,269)	) \$8,356,935
Liabilities, Noncontrolling Interests and Shareholders' Equity					
Liabilities					
Reserve for claims and claim expenses	\$—	\$—	\$1,532,780	\$—	\$1,532,780
Unearned premiums	—	—	758,272	—	758,272
Debt	—	249,499	—	—	249,499
Amounts due to subsidiaries and affiliates	40,250	106	—	(40,356)	) —
Reinsurance balances payable	—	—	501,155	—	501,155
Payable for investments purchased	4,897	4,993	274,405	—	284,295
Other liabilities	18,073	(509)	) 186,552	(208)	) 203,908
Total liabilities	63,220	254,089	3,253,164	(40,564)	) 3,529,909
Redeemable noncontrolling interest – DaVinciRe	—	—	1,091,166	—	1,091,166
Shareholders' Equity					
Total shareholders' equity	3,735,860	(86,530)	) 3,787,235	(3,700,705)	) 3,735,860
Total liabilities, noncontrolling interests and shareholders' equity	\$3,799,080	\$167,559	\$8,131,565	\$(3,741,269)	) \$8,356,935

(1)Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2)Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.



Condensed Consolidating Balance Sheet at December 31, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Assets					
Total investments	\$210,719	\$98,784	\$6,512,209	\$—	\$6,821,712
Cash and cash equivalents	8,796	4,027	395,209	—	408,032
Investments in subsidiaries	3,294,729	74,718	—	(3,369,447	) —
Due from subsidiaries and affiliates	296,752	—	—	(296,752	) —
Premiums receivable	—	—	474,087	—	474,087
Prepaid reinsurance premiums	—	—	66,132	—	66,132
Reinsurance recoverable	—	—	101,025	—	101,025
Accrued investment income	—	110	33,955	—	34,065
Deferred acquisition costs	—	—	81,684	—	81,684
Receivable for investments sold 14	—	—	75,831	—	75,845
Other assets	112,234	1,481	102,834	(100,000	) 116,549
Total assets	\$3,923,244	\$179,120	\$7,842,966	\$(3,766,199	) \$8,179,131
Liabilities, Redeemable Noncontrolling Interest and Shareholders' Equity					
Liabilities					
Reserve for claims and claim expenses	\$—	\$—	\$1,563,730	\$—	\$1,563,730
Unearned premiums	—	—	477,888	—	477,888
Debt	—	249,430	—	—	249,430
Amounts due to subsidiaries and affiliates	—	3,173	—	(3,173	) —
Reinsurance balances payable	—	—	293,022	—	293,022
Payable for investments purchased	—	—	193,221	—	193,221
Other liabilities	18,860	6,953	371,783	—	397,596
Total liabilities	18,860	259,556	2,899,644	(3,173	) 3,174,887
Redeemable noncontrolling interest	—	—	1,099,860	—	1,099,860
Shareholders' Equity					
Total shareholders' equity	3,904,384	(80,436	) 3,843,462	(3,763,026	) 3,904,384
Total liabilities, redeemable noncontrolling interest and shareholders' equity	\$3,923,244	\$179,120	\$7,842,966	\$(3,766,199	) \$8,179,131

(1)Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2)Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.



Condensed Consolidating Statement of Operations for the three months ended September 30, 2014	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated	
Revenues						
Net premiums earned	\$—	\$—	\$258,979	\$—	\$258,979	
Net investment income	652	433	24,790	(934	) 24,941	
Net foreign exchange (losses) gains	(12	) —	5,048	—	5,036	
Equity in earnings of other ventures	—	—	9,806	—	9,806	
Other loss	—	—	(1,169	) —	(1,169	)
Net realized and unrealized (losses) gains on investments	(52	) 647	(31,692	) —	(31,097	)
Total revenues	588	1,080	265,762	(934	) 266,496	
Expenses						
Net claims and claim expenses incurred	—	—	69,647	—	69,647	
Acquisition expenses	—	—	37,550	—	37,550	
Operational expenses	(1,527	) 1,560	47,006	(67	) 46,972	
Corporate expenses	3,325	60	520	—	3,905	
Interest expense	—	3,617	673	—	4,290	
Total expenses	1,798	5,237	155,396	(67	) 162,364	
(Loss) income before equity in net income (loss) of subsidiaries and taxes	(1,210	) (4,157	) 110,366	(867	) 104,132	
Equity in net income (loss) of subsidiaries	74,620	(1,382	) —	(73,238	) —	
Income (loss) before taxes	73,410	(5,539	) 110,366	(74,105	) 104,132	
Income tax benefit (expense)	—	3,091	(3,336	) —	(245	)
Net income	73,410	(2,448	) 107,030	(74,105	) 103,887	
Net income attributable to noncontrolling interests	—	—	(30,477	) —	(30,477	)
Net income (loss) attributable to RenaissanceRe	73,410	(2,448	) 76,553	(74,105	) 73,410	
Dividends on preference shares	(5,595	) —	—	—	(5,595	)
Net income (loss) attributable to RenaissanceRe common shareholders	\$67,815	\$(2,448	) \$76,553	\$(74,105	) \$67,815	

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.



Condensed Consolidating Statement of Comprehensive Income (Loss) for the three months ended September 30, 2014	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated	
Comprehensive income (loss)						
Net income (loss)	\$73,410	\$(2,448)	) \$107,030	\$(74,105	) \$103,887	
Change in net unrealized gains on investments	—	—	(89	) —	(89	)
Comprehensive income (loss)	73,410	(2,448)	) 106,941	(74,105	) 103,798	
Net income attributable to noncontrolling interests	—	—	(30,477	) —	(30,477	)
Comprehensive income attributable to noncontrolling interests	—	—	(30,477	) —	(30,477	)
Comprehensive income (loss) attributable to RenaissanceRe	\$73,410	\$(2,448)	) \$76,464	\$(74,105	) \$73,321	

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

Condensed Consolidating Statement of Operations for the nine months ended September 30, 2014	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated	
Revenues						
Net premiums earned	\$—	\$—	\$805,929	\$—	\$805,929	
Net investment income	2,013	1,352	97,869	(2,804	) 98,430	
Net foreign exchange (losses) gains	(5	) —	6,372	—	6,367	
Equity in earnings of other ventures	—	—	21,237	—	21,237	
Other loss	—	(8	) (1,634	) —	(1,642	)
Net realized and unrealized gains on investments	32	5,364	5,562	—	10,958	
Total revenues	2,040	6,708	935,335	(2,804	) 941,279	
Expenses						
Net claims and claim expenses incurred	—	—	209,950	—	209,950	
Acquisition expenses	—	—	104,727	—	104,727	
Operational expenses	(3,643	) 5,138	134,177	(235	) 135,437	
Corporate expenses	10,795	178	1,431	—	12,404	
Interest expense	—	10,850	2,025	—	12,875	
Total expenses	7,152	16,166	452,310	(235	) 475,393	
(Loss) income before equity in net income of subsidiaries and taxes	(5,112	) (9,458	) 483,025	(2,569	) 465,886	
Equity in net income (loss) of subsidiaries	361,468	(567	) —	(360,901	) —	
Income (loss) before taxes	356,356	(10,025	) 483,025	(363,470	) 465,886	
Income tax benefit (expense)	—	3,737	(3,944	) —	(207	)
Net income (loss)	356,356	(6,288	) 479,081	(363,470	) 465,679	
Net income attributable to noncontrolling interests	—	—	(109,323	) —	(109,323	)
Net income (loss) attributable to RenaissanceRe	356,356	(6,288	) 369,758	(363,470	) 356,356	
Dividends on preference shares	(16,786	) —	—	—	(16,786	)
Net income (loss) attributable to RenaissanceRe common shareholders	\$339,570	\$(6,288	) \$369,758	\$(363,470	) \$339,570	

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

Condensed Consolidating Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2014	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated	
Comprehensive income (loss)						
Net income (loss)	\$356,356	\$(6,288	) \$479,081	\$(363,470	) \$465,679	
Change in net unrealized gains on investments	—	—	(302	) —	(302	)
Comprehensive income (loss)	356,356	(6,288	) 478,779	(363,470	) 465,377	
Net income attributable to noncontrolling interests	—	—	(109,323	) —	(109,323	)
Comprehensive income attributable to noncontrolling interests	—	—	(109,323	) —	(109,323	)
Comprehensive income (loss) attributable to RenaissanceRe	\$356,356	\$(6,288	) \$369,456	\$(363,470	) \$356,054	

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

Condensed Consolidating Statement of Operations for the three months ended September 30, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated	
Revenues						
Net premiums earned	\$—	\$—	\$294,717	\$—	\$294,717	
Net investment income	1,055	37	59,782	(943	) 59,931	
Net foreign exchange gains	47	—	441	—	488	
Equity in earnings of other ventures	—	—	7,313	—	7,313	
Other income	—	—	651	—	651	
Net realized and unrealized gains (losses) on investments	373	(18	) 28,117	—	28,472	
Total revenues	1,475	19	391,021	(943	) 391,572	
Expenses						
Net claims and claim expenses incurred	—	—	60,928	—	60,928	
Acquisition expenses	—	—	37,699	—	37,699	
Operational expenses	(1,242	) 1,574	44,808	(468	) 44,672	
Corporate expenses	3,599	60	648	—	4,307	
Interest expense	—	3,617	681	—	4,298	
Total expenses	2,357	5,251	144,764	(468	) 151,904	
(Loss) income before equity in net income (loss) of subsidiaries and taxes	(882	) (5,232	) 246,257	(475	) 239,668	
Equity in net income of subsidiaries	186,217	2,344	—	(188,561	) —	
Income (loss) from continuing operations before taxes	185,335	(2,888	) 246,257	(189,036	) 239,668	
Income tax benefit (expense)	—	801	(1,024	) —	(223	)
Income (loss) from continuing operations	185,335	(2,087	) 245,233	(189,036	) 239,445	
Loss from discontinued operations	—	(9,779	) —	—	(9,779	)
Net income (loss)	185,335	(11,866	) 245,233	(189,036	) 229,666	
Net income attributable to noncontrolling interests	—	—	(44,331	) —	(44,331	)
Net income (loss) attributable to RenaissanceRe	185,335	(11,866	) 200,902	(189,036	) 185,335	
Dividends on preference shares	(5,595	) —	—	—	(5,595	)
Net income (loss) available (attributable) to RenaissanceRe common shareholders	\$179,740	\$(11,866	) \$200,902	\$(189,036	) \$179,740	

- (1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.
- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

Condensed Consolidating Statement of Comprehensive Income (Loss) for the three months ended September 30, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Comprehensive income (loss)					
Net income (loss)	\$185,335	\$(11,866 )	\$245,233	\$(189,036 )	\$229,666
Change in net unrealized gains on investments	—	—	(343 )	—	(343 )
Comprehensive income (loss)	185,335	(11,866 )	244,890	(189,036 )	229,323
Net income attributable to noncontrolling interests	—	—	(44,331 )	—	(44,331 )
Comprehensive income attributable to noncontrolling interests	—	—	(44,331 )	—	(44,331 )
Comprehensive income (loss) attributable to RenaissanceRe	\$185,335	\$(11,866 )	\$200,559	\$(189,036 )	\$184,992

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

Condensed Consolidating Statement of Operations for the nine months ended September 30, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Revenues					
Net premiums earned	\$—	\$—	\$857,861	\$—	\$857,861
Net investment income	3,273	274	128,590	(2,841)	) 129,296
Net foreign exchange (losses) gains	(3	) (2	) 175	—	170
Equity in earnings of other ventures	—	—	16,920	—	16,920
Other income (loss)	106	—	(2,292	) —	(2,186 )
Net realized and unrealized losses on investments	(1,071	) (132	) (25,585	) —	(26,788 )
Total revenues	2,305	140	975,669	(2,841)	) 975,273
Expenses					
Net claims and claim expenses incurred	—	—	192,141	—	192,141
Acquisition expenses	—	—	94,475	—	94,475
Operational expenses	(3,705	) 5,591	132,029	(468	) 133,447
Corporate expenses	28,508	178	1,632	—	30,318
Interest expense	734	10,850	2,048	—	13,632
Total expenses	25,537	16,619	422,325	(468	) 464,013
(Loss) income before equity in net income (loss) of subsidiaries and taxes	(23,232	) (16,479	) 553,344	(2,373	) 511,260
Equity in net income (losses) of subsidiaries	439,605	(1,495	) —	(438,110	) —
Income (loss) from continuing operations before taxes	416,373	(17,974	) 553,344	(440,483	) 511,260
Income tax benefit (expense)	—	796	(1,152	) —	(356 )
Income (loss) from continuing operations	416,373	(17,178	) 552,192	(440,483	) 510,904
Income from discontinued operations	—	2,422	—	—	2,422
Net income (loss)	416,373	(14,756	) 552,192	(440,483	) 513,326
Net income attributable to noncontrolling interests	—	—	(96,953	) —	(96,953 )
Net income (loss) attributable to RenaissanceRe	416,373	(14,756	) 455,239	(440,483	) 416,373
Dividends on preference shares	(19,353	) —	—	—	(19,353 )
Net income (loss) available (attributable) to RenaissanceRe common shareholders	\$397,020	\$(14,756	) \$455,239	\$(440,483	) \$397,020

- (1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.
- (2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.



Condensed Consolidating Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Comprehensive income (loss)					
Net income (loss)	\$416,373	\$(14,756 )	\$552,192	\$(440,483 )	\$513,326
Change in net unrealized gains on investments	—	—	(9,056 )	—	(9,056 )
Comprehensive income (loss)	416,373	(14,756 )	543,136	(440,483 )	504,270
Net income attributable to noncontrolling interests	—	—	(96,953 )	—	(96,953 )
Comprehensive income attributable to noncontrolling interests	—	—	(96,953 )	—	(96,953 )
Comprehensive income (loss) attributable to RenaissanceRe	\$416,373	\$(14,756 )	\$446,183	\$(440,483 )	\$407,317

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

(2) Includes Parent Guarantor and Subsidiary Issuer consolidating adjustments.

Condensed Consolidating Statement of Cash Flows for the nine months ended September 30, 2014	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	RenaissanceRe Consolidated	
Cash flows (used in) provided by operating activities					
Net cash (used in) provided by operating activities	\$(1,893	) \$(17,965	) \$413,247	\$393,389	
Cash flows provided by (used in) investing activities					
Proceeds from sales and maturities of fixed maturity investments trading	59,575	10,484	5,826,271	5,896,330	
Purchases of fixed maturity investments trading	(83,444	) —	(5,760,057	) (5,843,501	)
Proceeds from sales and maturities of fixed maturity investments available for sale	—	—	6,076	6,076	
Net sales (purchases) of equity investments trading	—	6,496	(40,421	) (33,925	)
Net sales (purchases) of short term investments	126,121	(3,368	) (101,175	) 21,578	
Net sales of other investments	—	—	74,706	74,706	
Net sales of investments in other ventures	—	—	1,030	1,030	
Net sales of other assets	—	—	6,000	6,000	
Dividends and return of capital from subsidiaries	665,872	7,605	(673,477	) —	
Contributions to subsidiaries	(244,925	) (2,625	) 247,550	—	
Due to (from) subsidiary	74	(3,081	) 3,007	—	
Net cash provided by (used in) investing activities	523,273	15,511	(410,490	) 128,294	
Cash flows used in financing activities					
Dividends paid – RenaissanceRe common shares	(34,834	) —	—	(34,834	)
Dividends paid – preference shares	(16,786	) —	—	(16,786	)
RenaissanceRe common share repurchases	(475,343	) —	—	(475,343	)
Net third party redeemable noncontrolling interest share transactions	—	—	(107,091	) (107,091	)
Net cash used in financing activities	(526,963	) —	(107,091	) (634,054	)
Effect of exchange rate changes on foreign currency cash	—	—	4,886	4,886	
Net decrease in cash and cash equivalents	(5,583	) (2,454	) (99,448	) (107,485	)
Cash and cash equivalents, beginning of period	8,796	4,027	395,209	408,032	
Cash and cash equivalents, end of period	\$3,213	\$1,573	\$295,761	\$300,547	

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

Condensed Consolidating Statement of Cash Flows for the nine months ended September 30, 2013	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	RenaissanceRe Consolidated
Cash flows (used in) provided by operating activities				
Net cash (used in) provided by operating activities	\$(46,965	) \$(7,706	) \$440,469	\$385,798
Cash flows provided by (used in) investing activities				
Proceeds from sales and maturities of fixed maturity investments trading	503,148	84,636	5,768,907	6,356,691
Purchases of fixed maturity investments trading	(344,873	) (67,498	) (6,037,326	) (6,449,697
Proceeds from sales and maturities of fixed maturity investments available for sale	—	—	43,564	43,564
Net purchases of equity investments trading	—	—	(33,714	) (33,714
Net sales (purchases) of short term investments	180,150	10,396	(308,672	) (118,126
Net sales of other investments	—	—	198,101	198,101
Net purchases of investments in other ventures	—	—	(2,500	) (2,500
Net purchases of other assets	—	—	(994	) (994
Dividends and return of capital from subsidiaries	330,097	28,554	(358,651	) —
Contributions to subsidiaries	(327,731	) (37,117	) 364,848	—
Due to (from) subsidiaries	14,685	(3,611	) (11,074	) —
Net cash provided by (used in) investing activities	355,476	15,360	(377,511	) (6,675
Cash flows used in financing activities				
Dividends paid – RenaissanceRe common shares	(36,956	) —	—	(36,956
Dividends paid – preference shares	(19,353	) —	—	(19,353
RenaissanceRe common share repurchases	(140,911	) —	—	(140,911
Net repayment of debt	(100,000	) —	(847	) (100,847
Redemption 6.08% Series C preference shares	(125,000	) —	—	(125,000
Redemption 6.60% Series D preference shares	(150,000	) —	—	(150,000
Issuance of 5.375% Series E preference shares, net of expenses	265,655	—	—	265,655
Net third party redeemable noncontrolling interest share transactions	—	—	(103,628	) (103,628
Net cash used in financing activities	(306,565	) —	(104,475	) (411,040
Effect of exchange rate changes on foreign currency cash	—	—	3,366	3,366
Net increase (decrease) in cash and cash equivalents	1,946	7,654	(38,151	) (28,551
Net increase in cash and cash equivalents of discontinued operations	—	—	(9,244	) (9,244
Cash and cash equivalents, beginning of period	6,298	1,528	296,319	304,145
Cash and cash equivalents, end of period	\$8,244	\$9,182	\$248,924	\$266,350

(1) Includes all other subsidiaries of RenaissanceRe Holdings Ltd. and eliminations.

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NOTE 15. SUBSEQUENT EVENTS

Subsequent to September 30, 2014 and through the period ended November 3, 2014, the Company repurchased 358 thousand common shares in open market transactions at an aggregate cost of \$35.7 million and at an average share price of \$99.54.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our results of operations for the three and nine months ended September 30, 2014 and 2013, respectively. The following also includes a discussion of our liquidity and capital resources at September 30, 2014. This discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto included in this filing and the audited consolidated financial statements and notes thereto contained in our Form 10-K for the fiscal year ended December 31, 2013. This filing contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from the results described or implied by these forward-looking statements. See "Note on Forward-Looking Statements."

### OVERVIEW

RenaissanceRe was established in Bermuda in 1993 to write principally property catastrophe reinsurance and today is a leading global provider of reinsurance and insurance coverages and related services. Our aspiration is to be the world's best underwriter by matching well-structured risks with efficient sources of capital. Through our operating subsidiaries, we seek to produce superior returns for our shareholders by being a trusted, long-term partner to our customers for assessing and managing risk, and by delivering responsive solutions. We accomplish this by leveraging our core capabilities of risk assessment and information management, by investing in our capabilities to serve our customers across the cycles that have historically characterized our markets and by keeping our promises. Overall, our strategy focuses on superior risk selection, superior customer relationships and superior capital management. We provide value to our customers and joint venture partners in the form of financial security, innovative products, and responsive service. We are known as a leader in paying valid reinsurance claims promptly. We principally measure our financial success through long-term growth in tangible book value per common share plus the change in accumulated dividends, which we believe is the most appropriate measure of our Company's financial performance, and believe we have delivered superior performance in respect of this measure over time.

Our core products include property catastrophe reinsurance, which we primarily write through our principal operating subsidiary Renaissance Reinsurance, Syndicate 1458, and joint ventures, principally DaVinci, Top Layer Re and Upsilon RFO; specialty reinsurance risks written through Renaissance Reinsurance, RenaissanceRe Specialty Risks, RenaissanceRe Specialty U.S., Syndicate 1458 and DaVinci; and certain insurance products primarily written through Syndicate 1458 or on an excess and surplus lines basis. We believe that we are one of the world's leading providers of property catastrophe reinsurance. We also believe we have a strong position in certain specialty reinsurance lines of business and a growing presence in the Lloyd's marketplace. Our reinsurance and insurance products are principally distributed through intermediaries, with whom we seek to cultivate strong long-term relationships. We continually explore appropriate and efficient ways to address the risk needs of our clients. We have created and managed, and continue to manage, multiple capital vehicles and may create additional risk bearing vehicles in the future. As our product and geographical diversity increases, we may be exposed to new risks, uncertainties and sources of volatility.

Since a substantial portion of the reinsurance and insurance we write provides protection from damages relating to natural and man-made catastrophes, our results depend to a large extent on the frequency and severity of such catastrophic events, and the coverages we offer to customers affected by these events. We are exposed to significant losses from these catastrophic events and other exposures that we cover. Accordingly, we expect a significant degree of volatility in our financial results and our financial results may vary significantly from quarter-to-quarter and from year-to-year, based on the level of insured catastrophic losses occurring around the world.

Our revenues are principally derived from three sources: (1) net premiums earned from the reinsurance and insurance policies we sell; (2) net investment income and realized and unrealized gains from the investment of our capital funds and the investment of the cash we receive on the policies which we sell; and (3) other income received from our joint ventures, advisory services and various other items.

Our expenses primarily consist of: (1) net claims and claim expenses incurred on the policies of reinsurance and insurance we sell; (2) acquisition costs which typically represent a percentage of the premiums we write; (3) operating expenses which primarily consist of personnel expenses, rent and other operating



expenses; (4) corporate expenses which include certain executive, legal and consulting expenses, costs for research and development, and other miscellaneous costs, including those associated with operating as a publicly traded company; (5) redeemable noncontrolling interests, which represents the interest of third parties with respect to the net income of DaVinciRe and Medici; and (6) interest and dividend costs related to our debt and preference shares. We are also subject to taxes in certain jurisdictions in which we operate. Since the majority of our income is currently earned in Bermuda, which does not have a corporate income tax, the tax impact to our operations has historically been minimal, however, in the future, our net tax exposure may increase as our operations expand geographically. The underwriting results of an insurance or reinsurance company are discussed frequently by reference to its net claims and claim expense ratio, underwriting expense ratio, and combined ratio. The net claims and claim expense ratio is calculated by dividing net claims and claim expenses incurred by net premiums earned. The underwriting expense ratio is calculated by dividing underwriting expenses (acquisition expenses and operational expenses) by net premiums earned. The combined ratio is the sum of the net claims and claim expense ratio and the underwriting expense ratio. A combined ratio below 100% generally indicates profitable underwriting prior to the consideration of investment income. A combined ratio over 100% generally indicates unprofitable underwriting prior to the consideration of investment income. We also discuss our net claims and claim expense ratio on an accident year basis. This ratio is calculated by taking net claims and claim expenses, excluding development on net claims and claim expenses from events that took place in prior fiscal years, divided by net premiums earned.

#### Discontinued Operations

On August 30, 2013, we entered into a purchase agreement with Munich to sell REAL and, on October 1, 2013, we closed the sale of REAL to Munich. In the third quarter of 2013, we classified the assets and liabilities associated with this transaction as held for sale and the financial results are reflected in our consolidated financial statements as “discontinued operations.” Except as explicitly described as held for sale or as discontinued operations, and unless otherwise noted, all discussions and amounts presented herein relate to our continuing operations. All prior periods presented have been reclassified to conform to this form of presentation.

Consideration for the transaction was \$60.0 million, paid in cash at closing, subject to post-closing adjustments for certain tax and other items. We recorded a loss on sale of \$8.8 million in the third quarter of 2013 in conjunction with the sale, including related direct expenses.

See “Note 3. Discontinued Operations in our Notes to Consolidated Financial Statements” for additional information related to discontinued operations.

#### Segments

Our business consists of the following reportable segments: (1) Catastrophe Reinsurance, which includes catastrophe reinsurance and certain property catastrophe joint ventures managed by our ventures unit; (2) Specialty Reinsurance, which includes specialty reinsurance and certain specialty joint ventures managed by our ventures unit; and (3) Lloyd’s, which includes reinsurance and insurance business written through Syndicate 1458. In addition, our Other category primarily reflects our strategic investments; investments unit; corporate expenses; capital servicing costs; noncontrolling interests; results of our discontinued operations; and the remnants of our Bermuda-based insurance operations. Previously, our Catastrophe Reinsurance and Specialty Reinsurance segments were aggregated and were reported as the Reinsurance segment. All prior periods presented have been reclassified to conform to this presentation.

#### Catastrophe Reinsurance Segment

Property catastrophe reinsurance is our traditional core business, and is principally written for our own account, for DaVinci and for other joint ventures such as Upsilon RFO. We believe we are one of the world’s leading providers of this coverage, based on total catastrophe gross premiums written. This coverage protects against large natural catastrophes, such as earthquakes, hurricanes and tsunamis, as well as claims arising from other natural and man-made catastrophes such as winter storms, freezes, floods, fires, wind storms, tornadoes, explosions and acts of terrorism. We offer this coverage to insurance companies and other reinsurers primarily on an excess of loss basis. This means that we begin paying when our customers’ claims from a catastrophe exceed a certain retained amount. We also offer





proportional coverages and other structures on a catastrophe-exposed basis and may increase these offerings on an absolute or relative basis in the future.

#### Specialty Reinsurance Segment

We write specialty reinsurance for our own account and for DaVinci, covering principally certain targeted classes of business where we believe we have a sound basis for underwriting and pricing the risk that we assume. Our portfolio includes various classes of business, such as aviation, casualty clash, catastrophe exposed personal lines property, catastrophe exposed workers' compensation, crop, energy, financial guaranty, financial liability, mortgage guaranty, political risk, surety, terrorism, trade credit, certain other casualty lines including directors and officers liability, general liability, medical malpractice and professional indemnity, and other specialty lines of reinsurance that we collectively refer to as specialty reinsurance. We believe that we are seen as a market leader in certain of these classes of business. We are seeking to expand our specialty reinsurance operations over time. In 2013, we organized RenaissanceRe Underwriting Managers U.S., a specialty reinsurance agency domiciled in Connecticut, to provide specialty treaty reinsurance solutions on both a quota share and excess of loss basis, as well as to write business on behalf of RenaissanceRe Specialty U.S., a Bermuda-domiciled reinsurer launched in June 2013 which operates subject to U.S. federal income tax, and Syndicate 1458. However, we cannot assure you that we will succeed in growing these operations or that any growth we do attain will be profitable and contribute meaningfully to our results or financial condition, particularly in light of current and forecasted market conditions. Our specialty reinsurance business is significantly impacted by a comparably small number of relatively large transactions. As with our catastrophe business, our team of experienced professionals seeks to underwrite these lines using a disciplined underwriting approach and sophisticated analytical tools.

#### Lloyd's Segment

Our Lloyd's segment includes insurance and reinsurance business written for our own account through Syndicate 1458. The syndicate enhances our underwriting platform by providing access to Lloyd's extensive distribution network and worldwide licenses. RenaissanceRe CCL, an indirect wholly owned subsidiary of the Company, is the sole corporate member of Syndicate 1458. RenaissanceRe Syndicate Management Limited ("RSML"), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458. We anticipate that Syndicate 1458's absolute and relative contributions to our consolidated results of operations will have a meaningful impact over time, although we cannot assure you we will succeed in executing our growth strategy in respect of Syndicate 1458, or that its results will be favorable, particularly in light of current and forecasted market conditions.

#### Other

Our Other category primarily includes the results of: (1) our share of strategic investments in certain markets we believe offer attractive risk-adjusted returns or where we believe our investment adds value, and where, rather than assuming exclusive management responsibilities ourselves, we partner with other market participants; (2) our investment unit which manages and invests the funds generated by our consolidated operations; (3) corporate expenses, capital services costs and noncontrolling interests; (4) the results of our discontinued operations; and (5) the remnants of our Bermuda-based insurance operations.

#### New Business

From time to time we consider diversification into new ventures, either through organic growth, the formation of new joint ventures, or the acquisition of or the investment in other companies or books of business of other companies. This potential diversification includes opportunities to write targeted, additional classes of risk-exposed business, both directly for our own account and through possible new joint venture opportunities. We also regularly evaluate potential strategic opportunities that we believe might utilize our skills, capabilities, proprietary technology and relationships to support possible expansion into further risk-related coverages, services and products. Generally, we focus on underwriting or trading risks where reasonably sufficient data may be available, and where our analytical abilities may provide us a competitive advantage, in order for us to seek to model estimated probabilities of losses and returns in accordance with our approach in respect of our then current portfolio of risks.

We regularly review potential strategic transactions that might improve our portfolio of business, enhance or focus our strategies, expand our distribution or capabilities, or provide other benefits. In evaluating potential new ventures or investments, we generally seek an attractive estimated return on equity, the ability to develop or capitalize on a competitive advantage, and opportunities which we believe will not detract from our core operations. While we regularly review potential strategic transactions and periodically engage in discussions regarding possible transactions, there can be no assurance that we will complete any such transactions or that any such transaction would be successful or materially enhance our results of operations or financial condition. Should we pursue or consummate a strategic transaction, we may mis-value the acquired company or operations, fail to integrate the acquired operation appropriately into our own franchise and/or expend unforeseen costs during the acquisition or integration. We believe that our ability to potentially attract investment and operational opportunities is supported by our strong reputation and financial resources, and by the capabilities and track record of our ventures unit.

#### Risk Management

We seek to develop and effectively utilize sophisticated computer models and other analytical tools to assess and manage the risks that we underwrite and attempt to optimize our portfolio of reinsurance and insurance contracts and other financial risks. Our policies, procedures, tools and resources to monitor and assess our operational risks companywide, as well as our global enterprise-wide risk management practices, are overseen by our Chief Risk Officer, who reports directly to our Chief Financial Officer.

With respect to our Reinsurance operations, since 1993 we have developed and continuously seek to improve our proprietary, computer-based pricing and exposure management system, REMS©. We believe that REMS©, as updated from time to time, is a more robust underwriting and risk management system than is currently commercially available elsewhere in the reinsurance industry and offers us a significant competitive advantage. REMS© was originally developed to analyze catastrophe risks, though we continuously seek ways to enhance the program in order to analyze other classes of risk.

#### SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations found in our Form 10-K for the year ended December 31, 2013.

## SUMMARY OF RESULTS OF OPERATIONS

Below is a discussion of the results of operations for the third quarter of 2014 compared to the third quarter of 2013.

Three months ended September 30, (in thousands, except per share amounts and percentages)	2014	2013	Change
Statement of operations highlights			
Gross premiums written	\$200,992	\$182,649	\$18,343
Net premiums written	\$159,713	\$127,241	\$32,472
Net premiums earned	\$258,979	\$294,717	\$(35,738)
Net claims and claim expenses incurred	69,647	60,928	8,719
Acquisition expenses	37,550	37,699	(149)
Operational expenses	46,972	44,672	2,300
Underwriting income	\$104,810	\$151,418	\$(46,608)
Net investment income	\$24,941	\$59,931	\$(34,990)
Net realized and unrealized (losses) gains on investments	(31,097)	28,472	(59,569)
Change in net unrealized gains on fixed maturity investments available for sale	(302)	(252)	(50)
Total investment result	\$(6,458)	\$88,151	\$(94,609)
Income from continuing operations	\$103,887	\$239,445	\$(135,558)
Loss from discontinued operations	\$—	\$(9,779)	\$9,779
Net income	\$103,887	\$229,666	\$(125,779)
Net income available to RenaissanceRe common shareholders	\$67,815	\$179,740	\$(111,925)
Income from continuing operations available to RenaissanceRe common shareholders per common share - diluted	\$1.70	\$4.23	\$(2.53)
Loss from discontinued operations attributable to RenaissanceRe common shareholders per common share - diluted	—	(0.22)	0.22
Net income available to RenaissanceRe common shareholders per common share – diluted	\$1.70	\$4.01	\$(2.31)
Dividends per common share	\$0.29	\$0.28	\$0.01
Key ratios			
Net claims and claim expense ratio – current accident year	36.7	% 23.1	% 13.6
Net claims and claim expense ratio – prior accident years	(9.8)	)% (2.4)	)% (7.4)
Net claims and claim expense ratio – calendar year	26.9	% 20.7	% 6.2
Underwriting expense ratio	32.6	% 27.9	% 4.7
Combined ratio	59.5	% 48.6	% 10.9
Return on average common equity - annualized	8.0	% 22.2	% (14.2)
Book value	September 30, 2014	June 30, 2014	Change
Book value per common share	\$85.78	\$84.79	\$0.99
Accumulated dividends per common share	13.99	13.70	0.29

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Book value per common share plus accumulated dividends	\$99.77	\$98.49	\$1.28
Change in book value per common share plus change in accumulated dividends	1.5	%	

Balance sheet highlights	September 30, 2014	June 30, 2014	Change
Total assets	\$8,356,935	\$8,515,625	\$(158,690 )
Total shareholders' equity attributable to RenaissanceRe	\$3,735,860	\$3,835,941	\$(100,081 )

Net income available to RenaissanceRe common shareholders was \$67.8 million in the third quarter of 2014, compared to \$179.7 million in the third quarter of 2013, a decrease of \$111.9 million. As a result of our net income available to RenaissanceRe common shareholders in the third quarter of 2014, we generated an annualized return on average common equity of 8.0% and our book value per common share increased from \$84.79 at June 30, 2014 to \$85.78 at September 30, 2014, a 1.5% increase, after considering the change in accumulated dividends paid to our common shareholders.

The most significant events affecting our financial performance during the third quarter of 2014, on a comparative basis to the third quarter of 2013, include:

**Lower Investment Results** - total investment result was negative \$6.5 million in the third quarter of 2014, which includes the sum of net investment income, net realized and unrealized gains on investments, and the change in net unrealized gains on fixed maturity investments available for sale, compared to positive \$88.2 million in the third quarter of 2013, and was primarily driven by rising interest rates and widening credit spreads in our portfolio of fixed maturity investments which resulted in net unrealized losses, partially offset by higher average invested assets during the third quarter of 2014 compared to the third quarter of 2013, lower returns in our portfolio of private equity investments, principally driven by weaker returns in the public equity markets during the third quarter of 2014 compared to the third quarter of 2013;

**Lower Underwriting Results** - underwriting income of \$104.8 million and a combined ratio of 59.5% in the third quarter of 2014, compared to \$151.4 million and 48.6% in the third quarter of 2013, respectively. These results were primarily driven by a \$35.7 million decrease in net premiums earned as a result of reduced gross premiums written principally in our Catastrophe Reinsurance segment, as a result of reduced risk-adjusted pricing for property catastrophe reinsurance as discussed further below, and an \$8.7 million increase in net claims and claim expenses; partially offset by

**Lower Net Income Attributable to Noncontrolling Interests** - net income attributable to noncontrolling interests of \$30.5 million in the third quarter of 2014 decreased from \$44.3 million in the third quarter of 2013, principally due to a decrease in the profitability of DaVinciRe, partially offset by a decrease in our ownership in DaVinciRe to 23.4% at September 30, 2014, compared to 32.9% at September 30, 2013; and

**No Loss from Discontinued Operations** - the operating results of our discontinued operations, REAL, have been classified as loss from discontinued operations in the statements of operations and totaled \$Nil in the third quarter of 2014, compared to a loss of \$9.8 million in the third quarter of 2013. Included in the \$9.8 million loss from discontinued operations in the third quarter of 2013 is \$8.8 million from the loss on sale of REAL, which was sold on October 1, 2013.

## Underwriting Results by Segment

## Catastrophe Reinsurance

Below is a summary of the underwriting results and ratios for our Catastrophe Reinsurance segment:

Catastrophe Reinsurance Segment Overview				
Three months ended September 30, (in thousands, except percentages)	2014	2013	Change	
Catastrophe Reinsurance gross premiums written				
Renaissance	\$49,480	\$55,849	\$(6,369	)
DaVinci	18,772	26,690	(7,918	)
Total Catastrophe Reinsurance gross premiums written	\$68,252	\$82,539	\$(14,287	)
Net premiums written	\$41,807	\$32,380	\$9,427	
Net premiums earned	\$136,719	\$184,416	\$(47,697	)
Net claims and claim expenses incurred	(666	) 16,897	(17,563	)
Acquisition expenses	9,131	14,049	(4,918	)
Operational expenses	24,154	24,573	(419	)
Underwriting income	\$104,100	\$128,897	\$(24,797	)
Net claims and claim expenses incurred – current accident year	\$9,661	\$23,041	\$(13,380	)
Net claims and claim expenses incurred – prior accident years	(10,327	) (6,144	) (4,183	)
Net claims and claim expenses incurred – total	\$(666	) \$16,897	\$(17,563	)
Net claims and claim expense ratio – current accident year	7.1	% 12.5	% (5.4	)%
Net claims and claim expense ratio – prior accident years	(7.6	)% (3.3	)% (4.3	)%
Net claims and claim expense ratio – calendar year	(0.5	)% 9.2	% (9.7	)%
Underwriting expense ratio	24.4	% 20.9	% 3.5	%
Combined ratio	23.9	% 30.1	% (6.2	)%

Catastrophe Reinsurance Gross Premiums Written – In the third quarter of 2014, our Catastrophe Reinsurance segment gross premiums written decreased by \$14.3 million, or 17.3%, to \$68.3 million, compared to \$82.5 million in the third quarter of 2013, primarily driven by the continued softening of market conditions and the Company's underwriting discipline given prevailing terms and conditions. In addition, gross premiums written in our Catastrophe Reinsurance segment in the third quarter of 2014 were impacted by a decrease in quota share premium booked in the third quarter of 2014, compared to the third quarter of 2013.

Our Catastrophe Reinsurance segment gross premiums written continue to be characterized by a large percentage of U.S. and Caribbean premium, as we have found business derived from exposures in Europe, Asia and the rest of the world to be, in general, less attractive on a risk-adjusted basis during recent periods. A significant amount of our U.S. and Caribbean premium provides coverage against windstorms, notably including U.S. Atlantic windstorms, as well as earthquakes and other natural and man-made catastrophes. Our Catastrophe Reinsurance segment gross premiums written in force at September 30, 2014 reflected a relatively larger proportion of quota share reinsurance compared to excess of loss reinsurance than in the comparative period. Our relative mix of business between quota share, or proportional business, and excess of loss business has fluctuated in the past and will likely vary in the future. Quota share business typically has relatively higher premiums per unit of expected underwriting income than traditional excess of loss reinsurance, particularly business that is heavily catastrophe

exposed. In addition, quota share coverage tends to be exposed to relatively more attritional, and frequent, losses while subject to less expected severity. Our underwriting determination to support additional quota share capacity reflects, in part, an assessment that the underlying business written by certain of our primary insurer clients is attractive to us on a risk-adjusted basis, making this coverage more attractive in our portfolio.

**Catastrophe Reinsurance Ceded Premiums Written** – Ceded premiums written in our Catastrophe Reinsurance segment decreased \$23.7 million to \$26.4 million in the third quarter of 2014, compared to \$50.2 million in the third quarter of 2013, primarily reflecting timing differences with increased purchases of reinsurance protection in the second quarter of 2014, resulting in lower purchases during the third quarter of 2014, compared to the second and third quarters of 2013, respectively.

**Catastrophe Reinsurance Underwriting Results** – Our Catastrophe Reinsurance segment generated underwriting income of \$104.1 million in the third quarter of 2014, compared to \$128.9 million in the third quarter of 2013, a decrease of \$24.8 million. In the third quarter of 2014, our Catastrophe Reinsurance segment generated a net claims and claim expense ratio of negative 0.5%, an underwriting expense ratio of 24.4% and a combined ratio of 23.9%, compared to 9.2%, 20.9% and 30.1%, respectively, in the third quarter of 2013.

The \$24.8 million decrease in underwriting income in our Catastrophe Reinsurance segment in the third quarter of 2014, compared to the third quarter of 2013, was primarily driven by a \$47.7 million decrease in net premiums earned as a result of the decrease in gross premiums written, as discussed above, and partially offset by a \$17.6 million decrease in net claims and claim expenses. The \$17.6 million decrease in net claims and claim expenses is comprised of a \$13.4 million decrease in current accident year net claims and claim expenses driven by a light catastrophe loss quarter and a \$4.2 million increase in favorable development on prior accident year net claims and claim expenses. During the third quarter of 2014, we experienced \$10.3 million of favorable development on prior year reserves within our Catastrophe Reinsurance segment, compared to \$6.1 million in the third quarter of 2013, primarily due to reductions in the expected ultimate losses of \$4.8 million and \$1.5 million related to a 2013 U.S. wind and thunderstorm event and the 2008 Hurricanes (Gustav and Ike), respectively, and the remainder principally due to reductions in the expected ultimate losses on a number of relatively small events.

The favorable development of \$6.1 million in the third quarter of 2013 was primarily due to \$4.7 million and \$2.0 million of favorable development related to a reduction in the expected ultimate net loss for the 2008 Hurricanes (Gustav and Ike), and the Tohoku Earthquake, respectively, as reported claims on these events came in better than expected.

We have entered into joint ventures and specialized quota share cessions for portions of our book of business. In accordance with the joint venture and quota share agreements, we are entitled to certain profit commissions and fee income. We record these profit commissions and fees as a reduction in acquisition and operating expenses, respectively, and, accordingly, these fees have reduced our underwriting expense ratios. These fees totaled \$20.0 million and \$19.0 million in the third quarter of 2014 and 2013, respectively, and resulted in a corresponding decrease to the Catastrophe Reinsurance segment underwriting expense ratio of 14.6% and 10.3%, respectively. In addition, we are entitled to certain fee income and profit commissions from DaVinci. Because the results of DaVinci, and its parent DaVinciRe, are consolidated in our results of operations, these fees and profit commissions are eliminated in our consolidated financial statements and are principally reflected in redeemable noncontrolling interest. The net impact of all fees and profit commissions related to these joint ventures and specialized quota share cessions within our Catastrophe Reinsurance segment was \$32.4 million and \$33.5 million in the third quarter of 2014 and 2013, respectively.



## Specialty Reinsurance

Below is a summary of the underwriting results and ratios for our Specialty Reinsurance segment:

## Specialty Reinsurance Segment Overview

Three months ended September 30, (in thousands, except percentages)	2014	2013	Change	
Specialty Reinsurance gross premiums written				
Renaissance	\$68,699	\$60,156	\$8,543	
DaVinci	184	—	184	
Total Specialty Reinsurance gross premiums written	\$68,883	\$60,156	\$8,727	
Net premiums written	\$61,879	\$55,717	\$6,162	
Net premiums earned	\$63,473	\$63,045	\$428	
Net claims and claim expenses incurred	31,759	17,520	14,239	
Acquisition expenses	15,806	14,691	1,115	
Operational expenses	10,234	7,303	2,931	
Underwriting income	\$5,674	\$23,531	\$(17,857)	)
Net claims and claim expenses incurred – current accident year	\$46,444	\$20,227	\$26,217	
Net claims and claim expenses incurred – prior accident years	(14,685)	(2,707)	(11,978)	)
Net claims and claim expenses incurred – total	\$31,759	\$17,520	\$14,239	
Net claims and claim expense ratio – current accident year	73.2	% 32.1	% 41.1	%
Net claims and claim expense ratio – prior accident years	(23.2)	)% (4.3	)% (18.9	)%
Net claims and claim expense ratio – calendar year	50.0	% 27.8	% 22.2	%
Underwriting expense ratio	41.1	% 34.9	% 6.2	%
Combined ratio	91.1	% 62.7	% 28.4	%

Specialty Reinsurance Gross Premiums Written – In the third quarter of 2014, our Specialty Reinsurance segment gross premiums written increased \$8.7 million, or 14.5%, to \$68.9 million, compared to \$60.2 million in the third quarter of 2013, driven primarily by increases in certain casualty related lines of business. Our specialty reinsurance premiums are prone to significant volatility as this business can be influenced by a small number of relatively large transactions. Our Specialty Reinsurance segment gross premiums written in force at September 30, 2014 reflected a relatively larger proportion of quota share reinsurance compared to excess of loss reinsurance than in comparative periods. Our relative mix of business between quota share, or proportional business, and excess of loss business has fluctuated in the past and will likely vary in the future. Quota share business typically has relatively higher premiums per unit of expected underwriting income than traditional excess of loss reinsurance. In addition, quota share coverage tends to be exposed to relatively more attritional, and frequent, losses while subject to less expected severity. Moreover, market conditions for our Specialty Reinsurance segment have been impacted by a trend towards increased ceding commissions on our assumed quota share reinsurance.

Specialty Reinsurance Underwriting Results – Our Specialty Reinsurance segment generated underwriting income of \$5.7 million in the third quarter of 2014, compared to \$23.5 million in the third quarter of 2013. In the third quarter of 2014, our Specialty Reinsurance segment generated a net claims and claim expense ratio of 50.0%, an underwriting expense ratio of 41.1% and a combined ratio of 91.1%, compared to 27.8%, 34.9% and 62.7%, respectively, in the third quarter of 2013.

The \$17.9 million decrease in the Specialty Reinsurance segment's underwriting income was driven by a \$26.2 million increase in current accident year net claims and claim expenses, partially offset by a \$12.0 million increase in favorable development on prior accident year net claims and claim expenses. The increase in current accident year net claims and claim expenses is principally due to attritional losses driven by the increase in net earned premiums. Our Specialty Reinsurance segment experienced \$14.7 million of favorable development on prior years reserves in the third quarter of 2014, compared to \$2.7 million in the third quarter of 2013, principally due to reported claims activity coming in lower than expected on prior accident years events.

The underwriting expense ratio in our Specialty Reinsurance segment increased 6.2 percentage points to 41.1% in the third quarter of 2014, compared to 34.9% in the third quarter of 2013, primarily due to the relative increase in the percentage of quota share reinsurance premiums, compared to excess of loss reinsurance premiums, as a percentage of total gross premiums written within our Specialty Reinsurance segment, as quota share reinsurance premiums typically carries a higher acquisition expense ratio, compared to excess of loss reinsurance, as well as an increase in operational expenses due to growth in this segment.

The favorable development of \$14.7 million and \$2.7 million in the third quarter of 2014 and 2013, respectively, was primarily driven by reported claims coming in lower than expected on prior accident years events.

#### Lloyd's Segment

Below is a summary of the underwriting results and ratios for our Lloyd's segment:

#### Lloyd's Segment Overview

Three months ended September 30, (in thousands, except percentages)	2014	2013	Change
Lloyd's gross premiums written			
Specialty	\$58,696	\$36,545	\$22,151
Catastrophe	5,161	3,409	1,752
Total Lloyd's gross premiums written	\$63,857	\$39,954	\$23,903
Net premiums written	\$56,027	\$39,014	\$17,013
Net premiums earned	\$58,788	\$47,150	\$11,638
Net claims and claim expenses incurred	39,027	28,175	10,852
Acquisition expenses	12,614	8,938	3,676
Operational expenses	12,475	12,559	(84)
Underwriting loss	\$(5,328)	\$(2,522)	\$(2,806)
Net claims and claim expenses incurred – current accident year	\$38,882	\$24,886	\$13,996
Net claims and claim expenses incurred – prior accident years	145	3,289	(3,144)
Net claims and claim expenses incurred – total	\$39,027	\$28,175	\$10,852
Net claims and claim expense ratio – current accident year	66.1	% 52.8	% 13.3
Net claims and claim expense ratio – prior accident years	0.3	% 7.0	% (6.7)
Net claims and claim expense ratio – calendar year	66.4	% 59.8	% 6.6
Underwriting expense ratio	42.7	% 45.5	% (2.8)
Combined ratio	109.1	% 105.3	% 3.8

Lloyd's Gross Premiums Written – Gross premiums written in our Lloyd's segment increased \$23.9 million, or 59.8%, to \$63.9 million in the third quarter of 2014, compared to \$40.0 million in the third quarter of 2013, primarily due to Syndicate 1458 continuing to grow organically in the Lloyd's marketplace, principally in its property lines of business, notwithstanding challenging market conditions.

Lloyd's Underwriting Results – Our Lloyd's segment incurred an underwriting loss of \$5.3 million and a combined ratio of 109.1% in the third quarter of 2014, compared to an underwriting loss of \$2.5 million and a combined ratio of 105.3%, respectively, in the third quarter of 2013. Impacting the underwriting loss was a \$10.9 million increase in net claims and claim expenses driven primarily by attritional net claims and claim expenses and a \$3.7 million increase in acquisition expenses, partially offset by an \$11.6 million increase in net premiums earned, with the increase in attritional net claims and claim expenses, acquisition expenses and net premiums earned primarily the result of the increase in gross premiums written noted above.

Our Lloyd's segment experienced current accident year net claims and claim expenses of \$38.9 million in the third quarter of 2014, compared to \$24.9 million in the third quarter of 2013, which increase principally includes attritional loss activity driven by the increase in net premiums earned noted above.

The adverse development of prior accident years net claims and claim expenses within our Lloyd's segment of \$0.1 million and \$3.3 million during the third quarter of 2014 and 2013, respectively, was principally due to reported claims activity coming in to date slightly higher than expected on prior accident years events.

#### Net Investment Income

Three months ended September 30, (in thousands)	2014	2013	Change
Fixed maturity investments	\$24,519	\$24,423	\$96
Short term investments	251	563	(312)
Equity investments trading	736	706	30
Other investments			
Hedge funds and private equity investments	(3,320)	) 14,179	(17,499)
Other	5,547	22,735	(17,188)
Cash and cash equivalents	116	47	69
	27,849	62,653	(34,804)
Investment expenses	(2,908)	) (2,722)	) (186)
Net investment income	\$24,941	\$59,931	\$(34,990)

Net investment income was \$24.9 million in the third quarter of 2014, compared to \$59.9 million in the third quarter of 2013. The \$35.0 million decrease in net investment income was principally due to lower returns in our portfolio of private equity investments, driven by weaker returns in the public equity markets, partially offset by unrealized gains in the third quarter of 2013 related to our investment in Essent Group Ltd. ("Essent").

Low interest rates in recent years have lowered the yields at which we invest our assets relative to historical levels, and combined with the current composition of our investment portfolio and other factors, we expect these developments to constrain investment income growth for the near term. The hedge fund, private equity and other investment portfolios are accounted for at fair value with the change in fair value recorded in net investment income, which included net unrealized losses of \$6.0 million in the third quarter of 2014, compared to unrealized gains of \$22.9 million in the third quarter of 2013.

## Net Realized and Unrealized (Losses) Gains on Investments

Three months ended September 30, (in thousands)	2014	2013	Change
Gross realized gains	\$7,962	\$8,813	\$(851 )
Gross realized losses	(2,720 )	(22,241 )	19,521
Net realized gains (losses) on fixed maturity investments	5,242	(13,428 )	18,670
Net unrealized (losses) gains on fixed maturity investments trading	(36,600 )	33,405	(70,005 )
Net realized and unrealized (losses) gains on investments-related derivatives	(1,868 )	3,557	(5,425 )
Net realized gains on equity investments trading	3,523	560	2,963
Net unrealized (losses) gains on equity investments trading	(1,394 )	4,378	(5,772 )
Net realized and unrealized (losses) gains on investments	\$(31,097 )	\$28,472	\$(59,569 )

Our investment portfolio is structured to seek to preserve capital and provide us with a high level of liquidity. A large majority of our investments are invested in the fixed income markets and, therefore, our realized and unrealized holding gains and losses on investments are highly correlated to fluctuations in interest rates. Therefore, as interest rates decline, we will tend to have realized and unrealized gains from our investment portfolio, and as interest rates rise, we will tend to have realized and unrealized losses from our investment portfolio.

Net realized and unrealized losses on investments were \$31.1 million in the third quarter of 2014, compared to gains of \$28.5 million in the third quarter of 2013, a reduction of \$59.6 million. Included in net realized and unrealized losses on investments are the following components:

net unrealized losses on our fixed maturity investments trading were \$36.6 million during the third quarter of 2014, primarily driven by rising interest rates in short and intermediate term maturities, and widening credit spreads during the third quarter of 2014, compared to net unrealized gains of \$33.4 million in the third quarter of 2013, principally the result of tightening credit spreads and a slight decrease in interest rates that occurred in the third quarter of 2013; and

net realized and unrealized losses on equity investments trading of \$2.1 million in the third quarter of 2014, compared to net realized and unrealized gains of \$4.9 million in the third quarter of 2013, which losses were primarily driven by unrealized losses on our position in Trupanion, and partially offset by net realized gains on the remainder of our allocation to equity investments trading.

## Equity in Earnings of Other Ventures

Three months ended September 30, (in thousands)	2014	2013	Change
Tower Hill Companies	\$6,912	\$3,885	\$3,027
Top Layer Re	3,108	3,608	(500 )
Other	(214 )	(180 )	(34 )
Total equity in earnings of other ventures	\$9,806	\$7,313	\$2,493

Equity in earnings of other ventures primarily represents our pro-rata share of the net income from our investments in Top Layer Re and Tower Hill Insurance Group, LLC, Tower Hill Holdings, Inc., Tower Hill Re Ltd. and Tower Hill Signature Insurance Holdings, Inc. (collectively, the "Tower Hill Companies"), and, except for Top Layer Re, is recorded one quarter in arrears.

Equity in earnings of other ventures was \$9.8 million in the third quarter of 2014, compared to \$7.3 million in the third quarter of 2013, with the increase driven by improved underwriting results in the Tower Hill Companies.



The carrying value of these investments on our consolidated balance sheets, individually or in the aggregate, may differ from the realized value we may ultimately attain, perhaps significantly so.

#### Other (Loss) Income

Three months ended September 30, (in thousands)	2014	2013	Change	
Assumed and ceded reinsurance contracts accounted for as derivatives and deposits	\$239	\$30	\$209	
Other items	(1,408	) 621	(2,029	)
Total other (loss) income	\$(1,169	) \$651	\$(1,820	)

In the third quarter of 2014, we incurred an other loss of \$1.2 million, compared to other income of \$0.7 million in the third quarter of 2013.

#### Corporate Expenses

Three months ended September 30, (in thousands)	2014	2013	Change
Total corporate expenses	\$3,905	\$4,307	\$(402 )

Corporate expenses include certain executive, director, legal and consulting expenses, costs for research and development, impairment charges related to goodwill and other intangible assets, and other miscellaneous costs, including those associated with operating as a publicly traded company. Corporate expenses were \$3.9 million in the third quarter of 2014, compared to \$4.3 million in the third quarter of 2013.

#### Net Income Attributable to Noncontrolling Interests

Three months ended September 30, (in thousands)	2014	2013	Change
Net income attributable to noncontrolling interests	\$(30,477	) \$(44,331	) \$13,854

Our net income attributable to the noncontrolling interests was \$30.5 million in the third quarter of 2014, compared to \$44.3 million in the third quarter of 2013. The \$13.9 million change is principally due to a decrease in the profitability of DaVinciRe, partially offset by a decrease in the Company's ownership in DaVinciRe to 23.4% at September 30, 2014, compared to 32.9% at September 30, 2013. We expect our ownership in DaVinciRe to fluctuate over time.

#### Income from Discontinued Operations

Three months ended September 30, (in thousands)	2014	2013	Change
Income from discontinued operations	\$—	\$(9,779	) \$9,779

Income from discontinued operations was \$Nil in the third quarter of 2014, compared to \$9.8 million in the third quarter of 2013. Included in income from discontinued operations of \$9.8 million in the third quarter of 2013 was an \$8.8 million loss related to the sale of REAL, which was sold on October 1, 2013.

## SUMMARY OF RESULTS OF OPERATIONS

Below is a discussion of the results of operations for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Nine months ended September 30, (in thousands, except per share amounts and percentages)	2014	2013	Change		
Statement of operations highlights					
Gross premiums written	\$1,417,792	\$1,521,290	\$(103,498	)	
Net premiums written	\$956,467	\$1,123,163	\$(166,696	)	
Net premiums earned	\$805,929	\$857,861	\$(51,932	)	
Net claims and claim expenses incurred	209,950	192,141	17,809		
Acquisition expenses	104,727	94,475	10,252		
Operational expenses	135,437	133,447	1,990		
Underwriting income	\$355,815	\$437,798	\$(81,983	)	
Net investment income	\$98,430	\$129,296	\$(30,866	)	
Net realized and unrealized gains (losses) on investments	10,958	(26,788	)	37,746	
Change in net unrealized gains on fixed maturity investments available for sale	(563	)	(7,558	)	6,995
Total investment result	\$108,825	\$94,950	\$13,875		
Income from continuing operations	\$465,679	\$510,904	\$(45,225	)	
Income from discontinued operations	\$—	\$2,422	\$(2,422	)	
Net income	\$465,679	\$513,326	\$(47,647	)	
Net income available to RenaissanceRe common shareholders	\$339,570	\$397,020	\$(57,450	)	
Income from continuing operations available to RenaissanceRe common shareholders per common share - diluted	\$8.26	\$8.79	\$(0.53	)	
Income from discontinued operations available to RenaissanceRe common shareholders per common share - diluted	—	0.05	(0.05	)	
Net income available to RenaissanceRe common shareholders per common share – diluted	\$8.26	\$8.84	\$(0.58	)	
Dividends per common share	\$0.87	\$0.84	\$0.03		
Key ratios					
Net claims and claim expense ratio – current accident year	33.4	% 30.8	% 2.6	%	
Net claims and claim expense ratio – prior accident years	(7.3	)% (8.4	)% 1.1	%	
Net claims and claim expense ratio – calendar year	26.1	% 22.4	% 3.7	%	
Underwriting expense ratio	29.8	% 26.6	% 3.2	%	
Combined ratio	55.9	% 49.0	% 6.9	%	
Return on average common equity - annualized	13.3	% 16.6	% (3.3	)%	
Book value	September 30, 2014	December 31, 2013	Change		
Book value per common share	\$85.78	\$80.29	\$5.49		

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Accumulated dividends per common share	13.99	13.12	0.87
Book value per common share plus accumulated dividends	\$99.77	\$93.41	\$6.36
Change in book value per common share plus change in accumulated dividends	7.9	%	

Balance sheet highlights	September 30, 2014	December 31, 2013	Change
Total assets	\$8,356,935	\$8,179,131	\$177,804
Total shareholders' equity attributable to RenaissanceRe	\$3,735,860	\$3,904,384	\$(168,524 )



Net income available to RenaissanceRe common shareholders was \$339.6 million in the first nine months of 2014, compared to \$397.0 million in the first nine months of 2013, a decrease of \$57.5 million. As a result of our net income available to RenaissanceRe common shareholders in the first nine months of 2014, we generated an annualized return on average common equity of 13.3% and our book value per common share increased from \$80.29 at December 31, 2013 to \$85.78 at September 30, 2014, a 7.9% increase, after considering the change in accumulated dividends paid to our common shareholders.

The most significant events affecting our financial performance during the first nine months of 2014, on a comparative basis to the first nine months of 2013, include:

**Lower Underwriting Results** - our underwriting income of \$355.8 million in the first nine months of 2014 decreased \$82.0 million from \$437.8 million in the first nine months of 2013. The decrease in underwriting income was primarily driven by a \$51.9 million decrease in net premiums earned due to a combination of lower gross premiums written during the preceding twelve months and an increase in ceded premiums written principally within our Catastrophe Reinsurance segment, a \$10.3 million increase in acquisition expenses principally within our Specialty Reinsurance segment, and an \$17.8 million increase in net claims and claim expenses;

**Higher Net Income Attributable to Noncontrolling Interests** - net income attributable to noncontrolling interests of \$109.3 million in the first nine months of 2014 increased from \$97.0 million in the first nine months of 2013, principally due to a decrease in our ownership in DaVinciRe to 23.4% at September 30, 2014, compared to 32.9% at September 30, 2013; partially offset by

**Improved Investment Results** - total investment result of \$108.8 million in the first nine months of 2014, which includes the sum of net investment income, net realized and unrealized gains on investments, and the change in net unrealized gains on fixed maturity investments available for sale, compared to \$95.0 million in the first nine months of 2013. The increase in total investment result was primarily driven by a flattening of the yield curve and moderate credit spread compression during the first nine months of 2014, resulting in improved returns in our fixed maturity investments portfolio and increased average invested assets, compared to the first nine months of 2013, partially offset by lower returns in our portfolio of private equity investments and equity investments trading, driven by weaker returns in the public equity markets.

### Net Negative Impact of the 2013 European Floods and May 2013 U.S. Tornadoes on Prior Period Results

Net negative impact of the 2013 European Floods and May 2013 U.S. Tornadoes includes the sum of estimates of net claims and claim expenses incurred, earned reinstatement premiums assumed and ceded, profit commissions and redeemable noncontrolling interests. Our estimates are based on a review of our potential exposures, discussions with certain counterparties and catastrophe modeling techniques. Given the magnitude and relatively recent occurrence of these events, delays in receiving claims data, the contingent nature of business interruption and other exposures, potential uncertainties relating to reinsurance recoveries and other uncertainties inherent in loss estimation, meaningful uncertainty remains regarding losses from these events. Accordingly, our actual net negative impact from these events will vary from these preliminary estimates, perhaps materially so. Changes in these estimates will be recorded in the period in which they occur.

See the financial data below for additional information detailing the net negative impact of the 2013 European Floods and May 2013 U.S. Tornadoes on our consolidated financial statements for the nine months ended September 30, 2013.

Nine months ended September 30, 2013 (in thousands, except percentages)	2013 European Floods	May 2013 U.S. Tornadoes	Total
Net claims and claim expenses incurred	\$(30,378	) \$(26,271	) \$(56,649 )
Reinstatement premiums earned	6,666	3,157	9,823
Profit commissions	85	374	459
Net negative impact on underwriting result	\$(23,627	) \$(22,740	) (46,367 )
Redeemable noncontrolling interest	3,621	3,968	7,589
Net negative impact	\$(20,006	) \$(18,772	) \$(38,778 )
Percentage point impact on consolidated combined ratio	3.2	2.9	6.1
Net negative impact on Reinsurance segment underwriting result	\$(19,647	) \$(21,723	) \$(41,370 )
Net negative impact on Lloyd's segment underwriting result	(3,980	) (1,017	) (4,997 )
Net negative impact on underwriting result	\$(23,627	) \$(22,740	) \$(46,367 )

## Underwriting Results by Segment

## Catastrophe Reinsurance

Below is a summary of the underwriting results and ratios for our Catastrophe Reinsurance segment:

## Catastrophe Reinsurance Segment Overview

Nine months ended September 30, (in thousands, except percentages)	2014	2013	Change
Catastrophe Reinsurance gross premiums written			
Renaissance	\$612,365	\$733,928	\$(121,563 )
DaVinci	311,681	404,310	(92,629 )
Total Catastrophe Reinsurance gross premiums written	\$924,046	\$1,138,238	\$(214,192 )
Net premiums written	\$534,994	\$774,585	\$(239,591 )
Net premiums earned	\$460,455	\$571,550	\$(111,095 )
Net claims and claim expenses incurred	42,519	72,520	(30,001 )
Acquisition expenses	34,063	37,866	(3,803 )
Operational expenses	66,773	74,287	(7,514 )
Underwriting income	\$317,100	\$386,877	\$(69,777 )
Net claims and claim expenses incurred – current accident year	\$60,663	\$115,586	\$(54,923 )
Net claims and claim expenses incurred – prior accident years	(18,144 )	(43,066 )	24,922
Net claims and claim expenses incurred – total	\$42,519	\$72,520	\$(30,001 )
Net claims and claim expense ratio – current accident year	13.2	% 20.2	% (7.0 )%
Net claims and claim expense ratio – prior accident years	(4.0 )%	(7.5 )%	3.5 %
Net claims and claim expense ratio – calendar year	9.2	% 12.7	% (3.5 )%
Underwriting expense ratio	21.9	% 19.6	% 2.3 %
Combined ratio	31.1	% 32.3	% (1.2 )%

Catastrophe Reinsurance Gross Premiums Written – In the first nine months of 2014, our Catastrophe Reinsurance segment gross premiums written decreased by \$214.2 million, or 18.8%, to \$924.0 million, compared to \$1,138.2 million in the first nine months of 2013, primarily driven by the continued softening of market conditions, including reduced risk-adjusted pricing for the January and June renewals, our underwriting discipline given prevailing terms and conditions, and the absence of \$9.8 million in reinstatement premiums written in the first nine months of 2013, which did not reoccur in the first nine months of 2014. In addition, gross premiums written in our Catastrophe Reinsurance segment in the first nine months of 2014 were impacted by a decrease of \$27.0 million in gross premiums written related to one quota share deal and a \$27.0 million multi-year transaction that occurred during the first nine months of 2013, and did not reoccur in the first nine months of 2014.

Our Catastrophe Reinsurance segment gross premiums written continue to be characterized by a large percentage of U.S. and Caribbean premium, as we have found business derived from exposures in Europe, Asia and the rest of the world to be, in general, less attractive on a risk-adjusted basis during recent periods. A significant amount of our U.S. and Caribbean premium provides coverage against windstorms, notably including U.S. Atlantic windstorms, as well as earthquakes and other natural and man-made catastrophes. Our Catastrophe Reinsurance segment gross premiums written in force at September 30, 2014 reflected a relatively larger proportion of quota share reinsurance compared to excess of loss reinsurance than in the comparative period. Our relative mix of business between quota share, or

proportional business, and excess of loss business has fluctuated in the past and will likely vary in the future. Quota share business typically has relatively higher premiums per unit of expected underwriting income than traditional excess of loss reinsurance, particularly business that is heavily catastrophe exposed. In addition, quota share coverage tends to be exposed to relatively more attritional, and frequent, losses while subject to less expected severity. Our underwriting determination to support additional quota share capacity reflects, in part, an assessment that the underlying business written by certain of our primary insurer clients is attractive to us on a risk-adjusted basis, making this coverage more attractive in our portfolio.

**Catastrophe Reinsurance Ceded Premiums Written** – Ceded premiums written in our Catastrophe Reinsurance segment increased \$25.4 million to \$389.1 million in the first nine months of 2014, compared to \$363.7 million in the first nine months of 2013, primarily reflecting additional purchases of retrocessional reinsurance, including coverage specific to U.S. windstorms in the State of Florida, given the softening retrocessional marketplace in the first nine months of 2014, compared to the first nine months of 2013.

**Catastrophe Reinsurance Underwriting Results** – Our Catastrophe Reinsurance segment generated underwriting income of \$317.1 million in the first nine months of 2014, compared to \$386.9 million in the first nine months of 2013, a decrease of \$69.8 million. In the first nine months of 2014, our Catastrophe Reinsurance segment generated a net claims and claim expense ratio of 9.2%, an underwriting expense ratio of 21.9% and a combined ratio of 31.1%, compared to 12.7%, 19.6% and 32.3%, respectively, in the first nine months of 2013.

The \$69.8 million decrease in underwriting income in our Catastrophe Reinsurance segment in the first nine months of 2014, compared to the first nine months of 2013, was primarily driven by a \$111.1 million decrease in net premiums earned as a result of the decrease in gross premiums written, combined with the increase in ceded premiums written, each as discussed above, and partially offset by a \$30.0 million decrease in net claims and claim expenses.

The \$30.0 million decrease in net claims and claim expenses is comprised of a \$54.9 million decrease in current accident year net claims and claim expenses driven by the absence of the 2013 European Floods and May 2013 U.S. Tornadoes which occurred in the first nine months of 2013, and did not reoccur in the first nine months of 2014, partially offset by a \$24.9 million decrease in favorable development on prior accident year net claims and claim expenses. Included in our Catastrophe Reinsurance segment's current accident year net claims and claim expenses in the first nine months of 2014 of \$60.7 million are a number of relatively small U.S. wind and thunderstorm events. During the first nine months of 2014, we experienced \$18.1 million of favorable development on prior year reserves within our Catastrophe Reinsurance segment, compared to \$43.1 million in the first nine months of 2013. The favorable development in the first nine months of 2014 was principally comprised of favorable development of \$14.7 million, \$6.3 million and \$5.8 million related to the 2011 April & May U.S. Tornadoes, a 2013 U.S. wind and thunderstorm event and the 2008 Hurricanes (Gustav and Ike), offset by adverse development of \$9.6 million, \$7.7 million and \$3.7 million related to a 2012 U.S. wind and thunderstorm event, the 2010 New Zealand earthquake and a 2012 U.S. wind and thunderstorm event, each principally the result of changes in our estimated ultimate loss for each respective event, with the remainder due to net favorable development on a number of other events.

The favorable development of \$43.1 million in the first nine months of 2013 was primarily due to \$12.8 million, \$7.3 million and \$5.2 million of favorable development related to reductions in the expected ultimate net losses for the 2008 Hurricanes (Gustav and Ike), Windstorm Kyrill of 2007 and the 2011 New Zealand Earthquake, respectively, as reported claims came in better than expected, and \$26.1 million of net favorable development related to a number of other catastrophes principally the result of reported claims coming in less than expected, resulting in decreases to the ultimate claims for these events through the application of our formulaic actuarial reserving methodology. Partially offsetting the reductions noted above was adverse development of \$5.9 million and \$2.6 million associated with an increase in reported gross ultimate losses on a 2012 U.S. wind and thunderstorm event and Hurricane Isaac, respectively.

We have entered into joint ventures and specialized quota share cessions for portions of our book of business. In accordance with the joint venture and quota share agreements, we are entitled to certain profit commissions and fee income. We record these profit commissions and fees as a reduction in acquisition and operating expenses, respectively, and, accordingly, these fees have reduced our underwriting expense ratios. These fees totaled \$65.2 million and \$59.3 million in the first nine months of 2014 and 2013,



respectively, and resulted in a corresponding decrease to the Catastrophe Reinsurance segment underwriting expense ratio of 14.2% and 10.4%, respectively. In addition, we are entitled to certain fee income and profit commissions from DaVinci. Because the results of DaVinci, and its parent DaVinciRe, are consolidated in our results of operations, these fees and profit commissions are eliminated in our consolidated financial statements and are principally reflected in redeemable noncontrolling interest. The net impact of all fees and profit commissions related to these joint ventures and specialized quota share cessions within our Catastrophe Reinsurance segment was \$104.8 million and \$101.6 million in the first nine months of 2014 and 2013, respectively.

#### Specialty Reinsurance

Below is a summary of the underwriting results and ratios for our Specialty Reinsurance segment:

#### Specialty Reinsurance Segment Overview

Nine months ended September 30, (in thousands, except percentages)	2014	2013	Change	
Specialty Reinsurance gross premiums written				
Renaissance	\$272,694	\$198,340	\$74,354	
DaVinci	2,033	2,685	(652	)
Total Specialty Reinsurance gross premiums written	\$274,727	\$201,025	\$73,702	
Net premiums written	\$233,622	\$188,584	\$45,038	
Net premiums earned	\$186,691	\$159,060	\$27,631	
Net claims and claim expenses incurred	77,915	53,723	24,192	
Acquisition expenses	44,052	32,139	11,913	
Operational expenses	30,854	22,458	8,396	
Underwriting income	\$33,870	\$50,740	\$(16,870	)
Net claims and claim expenses incurred – current accident year	\$113,809	\$76,983	\$36,826	
Net claims and claim expenses incurred – prior accident years	(35,894	) (23,260	) (12,634	)
Net claims and claim expenses incurred – total	\$77,915	\$53,723	\$24,192	
Net claims and claim expense ratio – current accident year	61.0	% 48.4	% 12.6	%
Net claims and claim expense ratio – prior accident years	(19.3	)% (14.6	)% (4.7	)%
Net claims and claim expense ratio – calendar year	41.7	% 33.8	% 7.9	%
Underwriting expense ratio	40.2	% 34.3	% 5.9	%
Combined ratio	81.9	% 68.1	% 13.8	%

**Specialty Reinsurance Gross Premiums Written** – In the first nine months of 2014, our Specialty Reinsurance segment gross premiums written increased \$73.7 million, or 36.7%, to \$274.7 million, compared to \$201.0 million in the first nine months of 2013, driven primarily by increases in certain financial liability and casualty related lines of business. Our specialty reinsurance premiums are prone to significant volatility as this business can be influenced by a small number of relatively large transactions.

Our Specialty Reinsurance segment gross premiums written in force at September 30, 2014 reflected a relatively larger proportion of quota share reinsurance compared to excess of loss reinsurance than in comparative periods. Our relative mix of business between quota share, or proportional business, and excess of loss business has fluctuated in the past and will likely vary in the future. Quota share business typically has relatively higher premiums per unit of expected underwriting income than traditional excess of loss reinsurance. In addition, quota share coverage tends to be exposed to relatively more attritional, and frequent, losses while subject to less expected severity. Moreover, market conditions for our Specialty



Reinsurance segment have been impacted by a trend towards increased ceding commissions on our assumed quota share reinsurance.

**Specialty Reinsurance Underwriting Results** – Our Specialty Reinsurance segment generated underwriting income of \$33.9 million in the first nine months of 2014, compared to \$50.7 million in the first nine months of 2013. In the first nine months of 2014, our Specialty Reinsurance segment generated a net claims and claim expense ratio of 41.7%, an underwriting expense ratio of 40.2% and a combined ratio of 81.9%, compared to 33.8%, 34.3% and 68.1%, respectively, in the first nine months of 2013.

The \$16.9 million decrease in our Specialty Reinsurance segment's underwriting income during the first nine months of 2014, compared to the first nine months of 2013, was principally driven by a \$36.8 million increase in current accident year net claims and claim expenses and a \$20.3 million increase in underwriting expenses, partially offset by a \$27.6 million increase in net premiums earned due to the increase in gross premiums written, as noted above. The \$36.8 million increase in current accident year net claims and claim expenses is principally driven by attritional losses arising from the increase in net premiums earned during the first nine months of 2014, compared to the first nine months of 2013. The \$20.3 million increase in underwriting expenses is primarily driven by the increase in net premiums earned, combined with the relative increase in the percentage of quota share reinsurance, compared to excess of loss reinsurance, as a percentage of total gross premiums written within the Specialty Reinsurance segment, as quota share reinsurance typically carries a higher acquisition expense ratio, compared to excess of loss reinsurance. In addition, operational expenses in our Specialty Reinsurance segment have increased to support the growth in this segment.

The favorable development of \$35.9 million in the first nine months of 2014 was primarily driven by reported claims coming in lower than expected on prior accident years events, as a result of the application of our formulaic actuarial reserving methodology, compared to favorable development of \$23.3 million in the first nine months of 2013 which was primarily driven by \$10.4 million associated with actuarial assumption changes, principally in our casualty clash and casualty risk lines of business, and primarily as a result of revised claim development factors based on actual loss experience, and \$12.8 million due to reported claims coming in lower than expected on prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.



## Lloyd's Segment

Below is a summary of the underwriting results and ratios for our Lloyd's segment:

## Lloyd's Segment Overview

Nine months ended September 30, (in thousands, except percentages)	2014		2013		Change	
Lloyd's gross premiums written						
Specialty	\$ 165,638		\$ 145,509		\$ 20,129	
Catastrophe	53,381		37,506		15,875	
Total Lloyd's gross premiums written	\$ 219,019		\$ 183,015		\$ 36,004	
Net premiums written	\$ 187,848		\$ 159,581		\$ 28,267	
Net premiums earned	\$ 158,757		\$ 126,862		\$ 31,895	
Net claims and claim expenses incurred	90,419		68,239		22,180	
Acquisition expenses	33,303		24,338		8,965	
Operational expenses	37,566		36,193		1,373	
Underwriting loss	\$(2,531	)	\$(1,908	)	\$(623	)
Net claims and claim expenses incurred – current accident year	\$ 94,594		\$ 71,274		\$ 23,320	
Net claims and claim expenses incurred – prior accident years	(4,175	)	(3,035	)	(1,140	)
Net claims and claim expenses incurred – total	\$ 90,419		\$ 68,239		\$ 22,180	
Net claims and claim expense ratio – current accident year	59.6	%	56.2	%	3.4	%
Net claims and claim expense ratio – prior accident years	(2.6	)%	(2.4	)%	(0.2	)%
Net claims and claim expense ratio – calendar year	57.0	%	53.8	%	3.2	%
Underwriting expense ratio	44.6	%	47.7	%	(3.1	)%
Combined ratio	101.6	%	101.5	%	0.1	%

Lloyd's Gross Premiums Written – Gross premiums written in our Lloyd's segment increased \$36.0 million, or 19.7%, to \$219.0 million in the first nine months of 2014, compared to \$183.0 million in the first nine months of 2013, primarily due to Syndicate 1458 continuing to grow organically in the Lloyd's marketplace, principally in its property lines of business, notwithstanding challenging market conditions.

Lloyd's Underwriting Results – Our Lloyd's segment incurred an underwriting loss of \$2.5 million and a combined ratio of 101.6% in the first nine months of 2014, compared to \$1.9 million and 101.5%, respectively, in the first nine months of 2013. Impacting the underwriting loss in our Lloyd's segment is a \$23.3 million increase in current accident year net claims and claim expenses, and a \$10.3 million increase in underwriting expenses, each as discussed below, partially offset by a \$31.9 million increase in net premiums earned principally driven by the increase in gross premiums written, noted above.

Our Lloyd's segment experienced current accident year net claims and claim expenses of \$94.6 million in the first nine months of 2014, compared to \$71.3 million in the first nine months of 2013, which principally includes attritional loss activity driven by the increase in net premiums earned noted above.

The \$10.3 million increase in underwriting expenses in our Lloyd's segment in the first nine months of 2014, compared to the first nine months of 2013, is primarily driven by increased acquisition expenses as a result of the increased proportion of quota share and delegated authority business written, which generally carry higher acquisition expenses, compared to non-proportional business.

The favorable development of prior accident years net claims and claim expenses within our Lloyd's segment of \$4.2 million and \$3.0 million during the first nine months of 2014 and 2013, respectively, was principally due to reported claims activity coming in lower than expected on prior accident years events.



## Net Investment Income

Nine months ended September 30, (in thousands)	2014	2013	Change
Fixed maturity investments	\$74,751	\$71,148	\$3,603
Short term investments	727	1,318	(591)
Equity investments trading	2,311	1,050	1,261
Other investments			
Hedge funds and private equity investments	17,337	31,296	(13,959)
Other	11,558	32,874	(21,316)
Cash and cash equivalents	300	108	192
	106,984	137,794	(30,810)
Investment expenses	(8,554)	(8,498)	(56)
Net investment income	\$98,430	\$129,296	\$(30,866)

Net investment income was \$98.4 million in the first nine months of 2014, compared to \$129.3 million in the first nine months of 2013, a decrease of \$30.9 million, principally due to lower returns in our portfolio of private equity investments, driven by weaker returns in the public equity markets, and to unrealized gains in the first nine months of 2013 related to our investment in Essent.

Low interest rates in recent years have lowered the yields at which we invest our assets relative to historical levels, and combined with the current composition of our investment portfolio and other factors, we expect these developments to constrain investment income growth for the near term. The hedge fund, private equity and other investment portfolios are accounted for at fair value with the change in fair value recorded in net investment income, which included net unrealized gains of \$2.9 million in the first nine months of 2014, compared to unrealized gains of \$32.6 million in the first nine months of 2013.

## Net Realized and Unrealized Gains (Losses) on Investments

Nine months ended September 30, (in thousands)	2014	2013	Change
Gross realized gains	\$33,595	\$60,437	\$(26,842)
Gross realized losses	(10,871)	(41,396)	30,525
Net realized gains on fixed maturity investments	22,724	19,041	3,683
Net unrealized gains (losses) on fixed maturity investments trading	21,200	(85,338)	106,538
Net realized and unrealized (losses) gains on investments-related derivatives	(19,651)	24,488	(44,139)
Net realized gains on equity investments trading	8,578	18,195	(9,617)
Net unrealized losses on equity investments trading	(21,893)	(3,174)	(18,719)
Net realized and unrealized gains (losses) on investments	\$10,958	\$(26,788)	\$37,746

Our investment portfolio is structured to seek to preserve capital and provide us with a high level of liquidity. A large majority of our investments are invested in the fixed income markets and, therefore, our realized and unrealized holding gains and losses on investments are highly correlated to fluctuations in interest rates. Therefore, as interest rates decline, we will tend to have realized and unrealized gains from our investment portfolio, and as interest rates rise, we will tend to have realized and unrealized losses from our investment portfolio.

Net realized and unrealized gains on investments were \$11.0 million in the first nine months of 2014, compared to losses of \$26.8 million in the first nine months of 2013, an improvement of \$37.7 million. Included in net realized and unrealized gains on investments are the following components:

net unrealized gains on our fixed maturity investments trading improved \$106.5 million, and was positively impacted by a reshaping of the yield curve which experienced decreasing rates in longer dated maturities, compared to short and intermediate term maturities during the first nine months of 2014, compared to the significant steepening of the yield curve that occurred in the first nine months of 2013, partially offset by a decrease of \$44.1 million in net realized and unrealized losses on investments-related derivatives, which was conversely impacted by the factors noted above in the first nine months of 2014, compared to the first nine months of 2013; and

an increase in net unrealized losses on equity investments trading of \$18.7 million, and a decrease in net realized gains on equity investments trading of \$9.6 million in the first nine months of 2014, compared to the first nine months of 2013, principally driven by weaker returns in the public equity markets, including net unrealized losses on our position in Essent during the first nine months of 2014, compared to the first nine months of 2013.

#### Equity in Earnings of Other Ventures

Nine months ended September 30, (in thousands)	2014	2013	Change
Tower Hill Companies	\$14,100	\$7,281	\$6,819
Top Layer Re	8,047	10,462	(2,415 )
Other	(910 )	(823 )	(87 )
Total equity in earnings of other ventures	\$21,237	\$16,920	\$4,317

Equity in earnings of other ventures primarily represents our pro-rata share of the net income from our investments in the Tower Hill Companies, and, except for Top Layer Re, is recorded one quarter in arrears.

Equity in earnings of other ventures was \$21.2 million in the first nine months of 2014, compared to \$16.9 million in the first nine months of 2013, with the increase driven by improved underwriting results in the Tower Hill Companies, and partially offset by decreased underwriting results in Top Layer Re as a result of lower renewal rates during January 2014 for the high-layer business entered into by Top Layer Re.

The carrying value of these investments on our consolidated balance sheets, individually or in the aggregate, may differ from the realized value we may ultimately attain, perhaps significantly so.

#### Other Loss

Nine months ended September 30, (in thousands)	2014	2013	Change
Assumed and ceded reinsurance contracts accounted for as derivatives and deposits	\$277	\$(2,543 )	\$2,820
Other items	(1,919 )	357	(2,276 )
Total other loss	\$(1,642 )	\$(2,186 )	\$544

In the first nine months of 2014, we incurred an other loss of \$1.6 million, compared to \$2.2 million in the first nine months of 2013.

#### Corporate Expenses

Nine months ended September 30, (in thousands)	2014	2013	Change
Total corporate expenses	\$12,404	\$30,318	\$(17,914 )



Corporate expenses include certain executive, director, legal and consulting expenses, costs for research and development, impairment charges related to goodwill and other intangible assets, and other miscellaneous costs, including those associated with operating as a publicly traded company. Corporate expenses decreased \$17.9 million to \$12.4 million in the first nine months of 2014, compared to \$30.3 million in the first nine months of 2013, primarily the result of senior management transition changes announced during the second quarter of 2013, which did not reoccur in the first nine months of 2014.

#### Net Income Attributable to Noncontrolling Interests

Nine months ended September 30, (in thousands)	2014	2013	Change
Net income attributable to noncontrolling interests	\$(109,323 )	\$(96,953 )	\$(12,370 )

Our net income attributable to noncontrolling interests was \$109.3 million in the first nine months of 2014, compared to \$97.0 million in the first nine months of 2013. The \$12.4 million increase in net income attributable to noncontrolling interests is principally due to an increase in the profitability of DaVinciRe, as well as a decrease in our ownership in DaVinciRe to 23.4% at September 30, 2014, compared to 32.9% at September 30, 2013, resulting in an increase in the net income attributable to noncontrolling interests. We expect our ownership in DaVinciRe to fluctuate over time.

#### Income from Discontinued Operations

Nine months ended September 30, (in thousands)	2014	2013	Change
Income from discontinued operations	\$—	\$2,422	\$(2,422 )

Income from discontinued operations was \$Nil in the first nine months of 2014, compared to \$2.4 million in the first nine months of 2013. Included in income from discontinued operations of \$2.4 million in the first nine months of 2013 is primarily net trading income related to REAL, which was sold on October 1, 2013.

#### Other

During the first nine months of 2014, we recognized the release of \$6.7 million of profit commissions in our Other category as a result of the commutation of several quota share agreements from our former Insurance segment.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Condition

RenaissanceRe is a holding company, and we therefore rely on dividends from our subsidiaries and investment income to make principal and interest payments on our debt and to make dividend payments to our preference and common shareholders.

The payment of dividends by our subsidiaries is, under certain circumstances, limited under statutory regulations and insurance law, which require our insurance subsidiaries to maintain certain measures of solvency and liquidity. In addition, Bermuda regulations require approval from the Bermuda Monetary Authority (“BMA”) for any reduction of capital in excess of 15% of statutory capital, as defined in the Insurance Act. The Insurance Act also requires these Bermuda insurance subsidiaries of the Company to maintain certain measures of solvency and liquidity. At September 30, 2014, the statutory capital and surplus of our Bermuda insurance subsidiaries was \$3.0 billion (December 31, 2013 - \$3.2 billion) and the minimum amount required to be maintained under Bermuda law, the Minimum Solvency Margin, was \$491.5 million (December 31, 2013 - \$562.1 million). During the nine months ended September 30, 2014, Renaissance Reinsurance, DaVinciRe and the operating subsidiaries of RenRe Insurance Holdings Ltd. returned capital to RenaissanceRe, which included dividends declared and return of capital, net of capital contributions received, of \$282.7 million, \$73.7 million and \$Nil, respectively (2013 - \$201.7 million, \$19.8 million and \$Nil, respectively).

Under the Insurance Act, RenaissanceRe Specialty Risks and RenaissanceRe Specialty U.S. are defined as Class 3B insurers, and Renaissance Reinsurance and DaVinci are classified as Class 4 insurers, and therefore must maintain capital at a level equal to an enhanced capital requirement (“ECR”) which is established by reference to the Bermuda Solvency Capital Requirement (“BSCR”) model. The BSCR is a risk-based capital model designed to give the BMA more advanced methods for determining an insurer’s capital adequacy. Underlying the BSCR is the belief that all insurers should operate on an ongoing basis with a view to maintaining their capital at a prudent level in excess of the Minimum Solvency Margin otherwise prescribed under the Insurance Act. Alternatively, under the Insurance Act, insurers may, subject to the terms of the Insurance Act and to the BMA’s oversight, elect to utilize an approved internal capital model to determine regulatory capital. In either case, the ECR shall at all times equal or exceed the respective Class 3B and Class 4 insurer’s Minimum Solvency Margin and may be adjusted in circumstances where the BMA concludes that the insurer’s risk profile deviates significantly from the assumptions underlying its ECR or the insurer’s assessment of its risk management policies and practices used to calculate the ECR applicable to it. While not specifically referred to in the Insurance Act, the BMA has also established a target capital level (“TCL”) for each Class 3B and Class 4 insurer equal to 120% of its respective ECR. While a Class 3B or Class 4 insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased BMA regulatory oversight. The 2013 BSCR for Renaissance Reinsurance, DaVinci, RenaissanceRe Specialty Risks and RenaissanceRe Specialty U.S. were filed with the BMA on or before April 30, 2014; and each company exceeded its respective target level of required capital.

RenaissanceRe CCL and Syndicate 1458 are subject to oversight by the Council of Lloyd’s. RSML is subject to regulation by the U.K.’s Prudential Regulation Authority and the Financial Conduct Authority, under the Financial Services and Markets Act 2000, as amended by the Financial Services Act 2012. Underwriting capacity of a member of Lloyd’s must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd’s (“FAL”). This amount is determined by Lloyd’s and is based on Syndicate 1458’s solvency and capital requirement as calculated through its internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd’s Central Fund provides an additional level of security for policyholders. At September 30, 2014, the FAL requirement set by Lloyd’s for Syndicate 1458 is £241.7 million based on its business plan, approved in November 2013 (December 31, 2013 - £241.7 million based on its business plan, approved November 2013). Actual FAL posted for Syndicate 1458 at September 30, 2014 by RenaissanceRe CCL is \$281.0 million and £60.0 million supported 100% by letters of credit (December 31, 2013 - \$281.0 million and £60.0 million).





Branches of Renaissance Reinsurance and DaVinci based in the Republic of Singapore (the “Singapore Branches”) have each received a license to carry on insurance business as a general reinsurer. The activities of the Singapore Branches are primarily regulated by the Monetary Authority of Singapore pursuant to Singapore’s Insurance Act. Additionally, the Singapore Branches are regulated by the Accounting and Corporate Regulatory Authority (“ACRA”) as foreign companies pursuant to Singapore’s Companies Act. Prior to the establishment of the Singapore Branch, Renaissance Reinsurance had maintained a representative office in Singapore since April 2012. The activities and regulatory requirements of the Singapore Branches are not considered to be material to the Company. Renaissance Services of Asia Pte. Ltd. is registered with the ACRA and subject to Singapore’s Companies Act.

As discussed in the “Capital Resources” section below, Renaissance Reinsurance is obligated to make a mandatory capital contribution of up to \$50.0 million in the event that a loss reduces Top Layer Re’s capital below a specified level.

In the aggregate, our operating subsidiaries have historically produced sufficient cash flows to meet their expected claims payments and operational expenses and to provide dividend payments to us. Our subsidiaries also maintain a concentration of investments in high quality liquid securities, which management believes will provide additional liquidity for extraordinary claims payments should the need arise. See “Capital Resources” section below.

#### Cash Flows and Liquidity

##### Holding Company Liquidity

As a Bermuda-domiciled holding company, RenaissanceRe has limited operations of its own and its assets consist primarily of investments in subsidiaries, and, to a degree, cash and securities in amounts which fluctuate over time. Accordingly, RenaissanceRe’s future cash flows largely depend on the availability of dividends or other statutorily permissible payments from subsidiaries. The ability to pay such dividends is limited by the applicable laws and regulations of the various countries and states in which these subsidiaries operate, including, among others, Bermuda, the U.S., Ireland, and the U.K. Refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, Financial Condition” for further discussion and details regarding dividend capacity of our major operating subsidiaries.

RenaissanceRe’s principal uses of liquidity are: (1) common share related transactions including dividend payments to holders of its common shareholders as well as common share repurchases from time to time; (2) preference share related transactions including dividend payments to its preference shareholders as well as preference share redemptions from time to time; (3) interest and principal payments on debt; (4) capital investments in its subsidiaries; and (5) certain corporate and operating expenses.

We attempt to structure our organization such that it facilitates efficient capital movements between RenaissanceRe and its operating subsidiaries and to ensure that adequate liquidity is available when required, giving consideration to applicable laws and regulations, and the domiciliary location of sources of liquidity and related obligations.

##### Sources of Liquidity

Historically, cash receipts from operations, consisting of premiums and investment income, generally have provided sufficient funds to pay losses as well as operating expenses of our subsidiaries and to fund dividends to RenaissanceRe. The premiums received by our operating subsidiaries are generally received months or even years before losses are paid under the policies related to such premiums. Premiums and acquisition expenses are settled based on terms of trade as stipulated by an underwriting contract, and generally are received within the first year of inception of a policy when the premium is written, but can be longer on certain reinsurance business assumed.

Operating expenses are generally paid within a year of being incurred. Claims and claims expenses may take a much longer time before they are reported and ultimately settled, requiring the establishment of reserves for claims and claim expenses. Therefore, the amount of claims paid in any one year is not necessarily related to the amount of net claims incurred in that year, as reported in the consolidated statement of operations.

As a result of the combination of current market conditions, lower investment yields, and the nature of our business where a large portion of the coverages we provide can produce losses of high severity and low frequency, it is not possible to accurately predict our future cash flows from operating activities. As a consequence, cash flows from operating activities may fluctuate, perhaps significantly, between individual quarters and years. Due to the magnitude and relatively recent occurrence of certain large loss events, meaningful uncertainty remains regarding losses from these events and our actual ultimate net losses from these events may vary from preliminary estimates, perhaps materially. As a result, our cash flows from operations would be impacted accordingly.

We are a “well-known seasoned issuer” as defined by the rules promulgated under the Securities Act, and we maintain a “shelf” Registration Statement on Form S-3 (the “Shelf Registration Statement”) under the Securities Act and are eligible to file additional automatically effective Registration Statements on Form S-3 in the future for the potential offering and sale of an unlimited amount of debt and equity securities. The Shelf Registration Statement allows for various types of securities to be offered, including, but not limited to the following: common shares, preference shares and debt securities.

In addition we maintain letter of credit facilities which provide liquidity. Refer to “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, Capital Resources” for details of these facilities.

#### Cash Flows

Nine months ended September 30, (in thousands)	2014	2013
Net cash provided by operating activities	\$393,389	\$385,798
Net cash provided by (used in) investing activities	128,294	(6,675 )
Net cash used in financing activities	(634,054 )	(411,040 )
Effect of exchange rate changes on foreign currency cash	4,886	3,366
Net decrease in cash and cash equivalents	(107,485 )	(28,551 )
Net increase in cash and cash equivalents of discontinued operations	—	(9,244 )
Cash and cash equivalents, beginning of period	408,032	304,145
Cash and cash equivalents, end of period	\$300,547	\$266,350

During the nine months ended September 30, 2014, our cash and cash equivalents decreased \$107.5 million, to \$300.5 million at September 30, 2014, compared to \$408.0 million at December 31, 2013.

Cash flows provided by operating activities. Cash flows provided by operating activities during the nine months ended September 30, 2014 were \$393.4 million, compared to \$385.8 million during the nine months ended September 30, 2013. Cash flows provided by operating activities during the nine months ended September 30, 2014 were primarily the result of certain adjustments to reconcile our net income of \$465.7 million to net cash provided by operating activities, including: an increase in unearned premiums of \$280.4 million due to the timing of our gross premiums written; a \$208.1 million increase in reinsurance balances payable due to the increase and timing of our premiums ceded; and partially offset by an increase in premiums receivable and deferred acquisition costs of \$156.6 million and \$48.4 million, respectively, due to the timing of our gross premiums written, combined with an increase of \$129.8 million in our prepaid reinsurance premiums due to the increase and timing of our gross premiums ceded. In addition, the other category of our consolidated statements of cash flows includes the change in our other liabilities, which, at December 31, 2013 included \$156.3 million of capital raised from third party investors and received by Upsilon RFO prior to December 31, 2013 for risks incepted during the first quarter of 2014, and was subsequently deployed in Upsilon during the first quarter of 2014. A portion of the cash provided by operating activities was used in our financing activities, as noted below.

Cash flows provided by investing activities. During the nine months ended September 30, 2014, our cash flows provided by investing activities were \$128.3 million, principally reflecting our net sales of other investments, net sales and maturities of fixed maturity investments and net sales of short term investments of \$74.7 million, \$58.9 million and \$21.6 million, respectively.



Cash flows used in financing activities. Our cash flows used in financing activities in the nine months ended September 30, 2014 were \$634.1 million, and were principally the result of the settlement of \$475.3 million of common share repurchases; net outflows of \$107.1 million related to net capital changes to third party shareholders in DaVinciRe and Medici; and \$34.8 million and \$16.8 million of dividends paid on our common and preferred shares, respectively.

During the nine months ended September 30, 2013, our cash and cash equivalents decreased \$28.6 million, to \$266.4 million at September 30, 2013, compared to \$304.1 million at December 31, 2012, which excludes an increase of \$9.2 million in cash and cash equivalents related to discontinued operations held for sale. The following discussion of our cash flows includes the results of operations and financial position of our discontinued operations held for sale at September 30, 2013, related to the sale of REAL.

Cash flows provided by operating activities. Cash flows provided by operating activities during the nine months ended September 30, 2013 were \$385.8 million, compared to \$535.7 million during the nine months ended September 30, 2012. Cash flows provided by operating activities during the nine months ended September 30, 2013 were primarily the result of certain adjustments to reconcile our net income of \$513.3 million to net cash provided by operating activities, including: an increase in unearned premiums of \$354.6 million due to the timing of our gross premiums written; a \$68.6 million increase in reinsurance balances payable due to the timing of our premiums ceded; and a reduction in reinsurance recoverable of \$43.3 million primarily due to the collection of those balances; and partially offset by an increase in premiums receivable and deferred acquisition costs of \$244.6 million and \$51.2 million, respectively, due to gross premiums written primarily during the first nine months of 2013; a decrease in our reserve for claims and claim expenses of \$195.7 million driven by the payment of claims and by favorable development on prior accident years net claims and claims expenses during the nine months ended September 30, 2013; and an increase in our prepaid reinsurance premiums of \$89.3 million due to the timing of, and increase in, our premiums ceded. A portion of the cash provided by operating activities was used in our financing activities, as noted below.

Cash flows used in investing activities. During the nine months ended September 30, 2013, our cash flows used in investing activities were \$6.7 million, principally reflecting our net purchases and maturities of fixed maturity investments of \$49.4 million, net purchases of short term investments of \$118.1 million and net purchase of \$33.7 million pursuant to a public equity securities mandate with a third party investment manager. These purchases were partially offset by net sales of other investments of \$198.1 million which principally related to the redemption of certain senior secured bank loan funds, with the proceeds being allocated to the purchase of bank loan portfolios included in our portfolio of fixed maturity investments and short term investments, as noted above.

Cash flows used in financing activities. Our cash flows used in financing activities in the nine months ended September 30, 2013 were \$411.0 million, and were principally the result of the redemption of our remaining 6 million Series D Preference Shares for \$150.0 million and 5 million Series C Preference Shares for \$125.0 million, or a total of \$275.0 million, the settlement of \$140.9 million of common share repurchases, the repayment of \$100.0 million of our 5.875% Senior Notes upon their scheduled maturity of February 15, 2013, the payment of \$37.0 million and \$19.4 million in dividends to our common and preferred shareholders, respectively, and net outflows of \$116.6 million related to the return of capital to third party shareholders in DaVinciRe. Offsetting these outflows was an inflow of \$265.7 million through the issuance of 11 million Series E Preference Shares, net of related offering expenses.

#### Reserve for Claims and Claim Expenses

We believe the most significant accounting judgment made by management is our estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts we sell. We establish our claims and claim expense reserves by taking claims reported to us by insureds and ceding companies, but which have not yet been paid ("case reserves"), adding the costs for additional case reserves ("additional case reserves") which represent our estimates for claims previously reported to us which we believe may not be adequately reserved as of that date, and adding estimates for the anticipated cost of claims incurred but not yet reported to us ("IBNR").



Our estimates of claims and claim expenses are also based in part upon the estimation of claims resulting from natural and man-made disasters such as hurricanes, earthquakes, tsunamis, winter storms, terrorism and other catastrophic events. Estimation of claims resulting from catastrophic events is inherently difficult because of the potential severity of property catastrophe claims. Additionally, we have recently increased our specialty reinsurance business but do not have the benefit of a significant amount of our own historical experience in certain specialty reinsurance lines of business. Therefore, we use both proprietary and commercially available models, as well as historical (re)insurance industry claims experience, for purposes of evaluating future trends and providing an estimate of ultimate claims costs.

The following table summarizes our claims and claim expense reserves by line of business and split between case reserves, additional case reserves and IBNR:

At September 30, 2014 (in thousands)	Case Reserves	Additional Case Reserves	IBNR	Total
Catastrophe Reinsurance	\$282,923	\$186,653	\$178,243	\$647,819
Specialty Reinsurance	111,774	83,196	359,069	554,039
Lloyd's	54,142	21,464	207,463	283,069
Other	8,097	2,324	37,432	47,853
Total	\$456,936	\$293,637	\$782,207	\$1,532,780
December 31, 2013 (in thousands)				
Catastrophe Reinsurance	\$430,166	\$177,518	\$173,303	\$780,987
Specialty Reinsurance	113,188	81,251	311,829	506,268
Lloyd's	45,355	14,265	158,747	218,367
Other	14,915	2,324	40,869	58,108
Total	\$603,624	\$275,358	\$684,748	\$1,563,730

The following table presents an analysis of our paid, unpaid and incurred losses and loss expenses and a reconciliation of beginning and ending reserve for claims and claim expenses for the periods indicated:

Nine months ended September 30, (in thousands)	2014	2013
Net reserves, beginning of period	\$1,462,705	\$1,686,865
Net incurred related to:		
Current year	269,066	263,843
Prior years	(59,116)	(71,702)
Total net incurred	209,950	192,141
Net paid related to:		
Current year	19,231	30,550
Prior years	199,687	313,948
Total net paid	218,918	344,498
Net reserves, end of period	1,453,737	1,534,508
Reinsurance recoverable, end of period	79,043	149,201
Gross reserves, end of period	\$1,532,780	\$1,683,709

Our reserving methodology for each line of business uses a loss reserving process that calculates a point estimate for the Company's ultimate settlement and administration costs for claims and claim expenses. We do not calculate a range of estimates. We use this point estimate, along with paid claims and case reserves, to record our best estimate of

additional case reserves and IBNR in our consolidated financial statements. Under GAAP, we are not permitted to establish estimates for catastrophe claims and claim expense reserves until an event occurs that gives rise to a loss.

Reserving for our reinsurance claims involves other uncertainties, such as the dependence on information from ceding companies, which among other matters, includes the time lag inherent in reporting information from the primary insurer to us or to our ceding companies and differing reserving practices among ceding companies. The information received from ceding companies is typically in the form of bordereaux, broker notifications of loss and/or discussions with ceding companies or their brokers. This information can be received on a monthly, quarterly or transactional basis and normally includes estimates of paid claims and case reserves. We sometimes also receive an estimate or provision for IBNR. This information is often updated and adjusted from time to time during the loss settlement period as new data or facts in respect of initial claims, client accounts, industry or event trends may be reported or emerge in addition to changes in applicable statutory and case laws.

Our estimates of losses from large events are based on factors including currently available information derived from the Company's claims information from certain customers and brokers, industry assessments of losses from the events, proprietary models, and the terms and conditions of our contracts. The uncertainty of our estimates for certain of these large events is additionally impacted by the preliminary nature of the information available, the magnitude and relative infrequency of the events, the expected duration of the respective claims development period, inadequacies in the data provided to the relevant date by industry participants and the potential for further reporting lags or insufficiencies (particularly in respect of our current reserves arising from the 2010 New Zealand, 2011 New Zealand and Tohoku Earthquakes); and in the case of Storm Sandy and the Thailand Floods, significant uncertainty as to the form of the claims and legal issues, under the relevant terms of insurance and reinsurance contracts. In addition, a significant portion of the net claims and claim expenses associated with Storm Sandy and the New Zealand and Tohoku Earthquakes are concentrated with a few large clients and therefore the loss estimates for these events may vary significantly based on the claims experience of those clients. Loss reserve estimation in respect of our retrocessional contracts poses further challenges compared to directly assumed reinsurance. A significant portion of our reinsurance recoverable relates to the New Zealand and Tohoku Earthquakes. There is inherent uncertainty and complexity in evaluating loss reserve levels and reinsurance recoverable amounts, due to the nature of the losses relating to earthquake events, including that loss development time frames tend to take longer with respect to earthquake events. The contingent nature of business interruption and other exposures will also impact losses in a meaningful way, especially in respect of our current reserves with regard to Storm Sandy, the Tohoku Earthquake and the Thailand Floods, which we believe may give rise to significant complexity in respect of claims handling, claims adjustment and other coverage issues, over time. Given the magnitude and relatively recent occurrence of these large events, meaningful uncertainty remains regarding total covered losses for the insurance industry and, accordingly, several of the key assumptions underlying our loss estimates. In addition, our actual net losses from these events may increase if our reinsurers or other obligors fail to meet their obligations.

Because of the inherent uncertainties discussed above, we have developed a reserving philosophy which attempts to incorporate prudent assumptions and estimates, and we have generally experienced favorable net development on prior year reserves in the last several years. However, there is no assurance that this will occur in future periods. We use statistical and actuarial methods to estimate ultimate expected claims and claim expenses. The period of time from the reporting of a claim to us and the settlement of our liability may be many years. During this period, additional facts and trends will be revealed. As these factors become apparent, case reserves will be adjusted, sometimes requiring an increase or decrease in the overall reserve for claims and claim expenses, and at other times requiring a reallocation of IBNR reserves to specific case reserves or additional case reserves. These estimates are reviewed regularly, and such adjustments, if any, are reflected in the results of operations in the period in which they become known and are accounted for as changes in estimates. Adjustments to our reserve for claims and claim expenses can impact current year net income (loss) by increasing net income or decreasing net loss if the estimates of prior year claims and claim expense reserves prove to be overstated or by decreasing net income or increasing net loss if the estimates of prior year claims and claim expense reserves prove to be insufficient.

Our estimates of claims and claim expense reserves are not precise in that, among other matters, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of our reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer's estimate at a point in time of its ultimate





liability, and because there are numerous factors which affect reserves and claims payments that cannot be determined with certainty in advance, our ultimate payments will vary, perhaps materially, from our estimates of reserves. If we determine in a subsequent period that adjustments to our previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. As detailed in the table and discussed in further detail below, changes to prior year estimated claims reserves increased our net income by \$59.1 million during the nine months ended September 30, 2014 (2013 - \$71.7 million), excluding the consideration of changes in reinstatement premium, profit commissions, redeemable noncontrolling interest, equity in net claims and claim expenses of Top Layer Re and income tax.

The following table details our prior year development by segment of its liability for unpaid claims and claim expenses:

Nine months ended September 30, (in thousands)	2014	2013
Catastrophe Reinsurance	\$(18,144)	\$(43,066)
Specialty Reinsurance	(35,894)	(23,260)
Lloyd's	(4,175)	(3,035)
Other	(903)	(2,341)
Total	\$(59,116)	\$(71,702)

Our reserving techniques, assumptions and processes differ between our Catastrophe Reinsurance, Specialty Reinsurance and Lloyd's segments. Following is a discussion of the risks we insure and reinsure, the reserving techniques, assumptions and processes we follow to estimate our claims and claim expense reserves, our current estimates versus our initial estimates of our claims reserves, and the sensitivity analysis we apply with respect to our key reserving judgments for each of our segments.

#### Catastrophe Reinsurance Segment

Within our Catastrophe Reinsurance segment, we principally write property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes. Under these contracts, we indemnify an insurer or reinsurer when its aggregate paid claims and claim expenses from a single occurrence of a covered peril exceed the attachment point specified in the contract, up to an amount per loss specified in the contract. In recent periods, our catastrophe-exposed proportional reinsurance product offerings (also referred to as quota share reinsurance or pro-rata reinsurance) have grown and may continue to grow in the future. Our most significant exposure is to losses from earthquakes and hurricanes and other windstorms, although we are also exposed to claims arising from other catastrophes, such as tsunamis, freezes, floods, fires, tornadoes, explosions and acts of terrorism. Our predominant exposure under such coverage is to property damage. However, other risks, including business interruption and other non-property losses, may also be covered under our property catastrophe reinsurance contracts when arising from a covered peril. Our coverages are offered on either a worldwide basis or are limited to selected geographic areas.

Coverage can also vary from "all property" perils to limited coverage on selected perils, such as "earthquake only" coverage. We also enter into retrocessional contracts that provide property catastrophe coverage to other reinsurers or retrocedants. This coverage is generally in the form of excess of loss retrocessional contracts and may cover all perils and exposures on a worldwide basis or be limited in scope to selected geographic areas, perils and/or exposures. The exposures we assume from retrocessional business can change within a contract term as the underwriters of a retrocedant may alter their book of business after the retrocessional coverage has been bound. We also offer dual trigger reinsurance contracts which require us to pay claims based on claims incurred by insurers and reinsurers in addition to the estimate of insured industry losses as reported by referenced statistical reporting agencies.

Our property catastrophe reinsurance business is generally characterized by loss events of low frequency and high severity. Initial reporting of paid and incurred claims in general, tends to be relatively prompt. We consider this business "short-tail" as compared to the reporting of claims for "long-tail" products, which tends to be slower. However, the timing of claims payment and reporting also varies depending on various



factors, including: whether the claims arise under reinsurance of primary insurance companies or reinsurance of other reinsurance companies; the nature of the events (e.g., hurricanes, earthquakes or terrorism); the geographic area involved; post-event inflation which may cause the cost to repair damaged property to increase significantly from current estimates, or for property claims to remain open for a longer period of time, due to limitations on the supply of building materials, labor and other resources; complex policy coverage and other legal issues; and the quality of each client's claims management and reserving practices. Management's judgments regarding these factors are reflected in our reserve for claims and claim expenses.

Reserving for most of our property catastrophe reinsurance business does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management after a catastrophe occurs by completing an in-depth analysis of the individual contracts which may potentially be impacted by the catastrophic event. The in-depth analysis generally involves: (1) estimating the size of insured industry losses from the catastrophic event; (2) reviewing our portfolio of reinsurance contracts to identify those contracts which are exposed to the catastrophic event; (3) reviewing information reported by customers and brokers; (4) discussing the event with our customers and brokers; and (5) estimating the ultimate expected cost to settle all claims and administrative costs arising from the catastrophic event on a contract-by-contract basis and in aggregate for the event. Once an event has occurred, during the then current reporting period we record our best estimate of the ultimate expected cost to settle all claims arising from the event. Our estimate of claims and claim expense reserves is then determined by deducting cumulative paid losses from our estimate of the ultimate expected loss for an event and our estimate of IBNR is determined by deducting cumulative paid losses, case reserves and additional case reserves from our estimate of the ultimate expected loss for an event. Once we receive a notice of loss or payment request under a catastrophe reinsurance contract, we are generally able to process and pay such claims promptly.

Because the events from which claims arise under policies written by our property catastrophe reinsurance business are typically prominent, public occurrences such as hurricanes and earthquakes, we are often able to use third party reports as part of our loss reserve estimation process. We also review catastrophe bulletins published by various statistical reporting agencies to assist us in determining the size of the industry loss, although these reports may not be available for some time after an event. In addition to the loss information and estimates communicated by cedants and brokers, we also use industry information which we gather and retain in our REMS© modeling system. The information stored in our REMS© modeling system enables us to analyze each of our policies in relation to a loss and compare our estimate of the loss with those reported by our policyholders. The REMS© modeling system also allows us to compare and analyze individual losses reported by policyholders affected by the same loss event. Although the REMS© modeling system assists with the analysis of the underlying loss and provides us with the information and ability to perform increased analysis, the estimation of claims resulting from catastrophic events is inherently difficult because of the variability and uncertainty associated with property catastrophe claims and the unique characteristics of each loss.

For smaller events including localized severe weather events such as windstorms, hail, ice, snow, flooding, freezing and tornadoes, which are not necessarily prominent, public occurrences, we initially place greater reliance on catastrophe bulletins published by statistical reporting agencies to assist us in determining what events occurred during the reporting period than we do for large events. This includes reviewing catastrophe bulletins published by Property Claim Services for U.S. catastrophes. We set our initial estimates of reserves for claims and claim expenses for these smaller events based on a combination of our historical market share for these types of losses and the estimate of the total insured industry property losses as reported by statistical reporting agencies, although we may make significant adjustments based on our current exposure to the geographic region involved as well as the size of the loss and the peril involved. This approach supplements our approach for estimating losses for larger catastrophes, which as discussed above, includes discussions with brokers and ceding companies, reviewing individual contracts impacted by the event, and modeling the loss in our REMS© system. Approximately one year from the date of loss for these small events, we estimate IBNR for these events by using the paid Bornhuetter-Ferguson actuarial method. The loss development factors for the paid Bornhuetter-Ferguson actuarial method are selected based on a review of our historical experience and these factors are reviewed at least annually. There have been no changes to our paid loss development factors during the last three years.



In general, our property catastrophe reinsurance reserves for our more recent reinsured catastrophic events are subject to greater uncertainty and, therefore, greater potential variability, and are likely to experience material changes from one period to the next. This is due to the uncertainty as to the size of the industry losses from the event, uncertainty as to which contracts have been exposed to the catastrophic event, uncertainty due to complex legal and coverage issues that can arise out of large or complex catastrophic events such as the events of September 11, 2001, Hurricane Katrina and Storm Sandy, and uncertainty as to the magnitude of claims incurred by our customers. As our property catastrophe reinsurance claims age, more information becomes available and we believe our estimates become more certain, although there is no assurance this trend will continue in the future.

#### Prior Year Development of Reserve for Net Claims and Claim Expenses

Within our property catastrophe reinsurance business, we seek to review substantially all of our claims and claim expense reserves quarterly. Our quarterly review procedures include identifying events that have occurred up to the latest balance sheet date, determining our best estimate of the ultimate expected cost to settle all claims and administrative costs associated with those new events which have arisen during the reporting period, reviewing the ultimate expected cost to settle claims and administrative costs associated with those events which occurred during previous periods, and considering new estimation techniques, such as additional actuarial methods or other statistical techniques, that can assist us in developing a best estimate. This process is judgmental in that it involves reviewing changes in paid and reported losses each period and adjusting our estimates of the ultimate expected losses for each event if there are developments that are different from our previous expectations. If we determine that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified. As noted above, the level of our claims and claim expenses associated with certain catastrophes can be very large. As a result, small percentage changes in the estimated ultimate claims from large catastrophe events can significantly impact our reserves for claims and claim expenses in subsequent periods.

The following table details the development of our liability for unpaid claims and claim expenses for the Catastrophe Reinsurance segment for the nine months ended September 30, 2014:

Nine months ended September 30, 2014	Catastrophe Reinsurance Segment
(in thousands)	
Catastrophe net claims and claim expenses	
Large catastrophe events	
April & May U.S. Tornadoes (2011)	\$(14,697 )
Hurricanes Gustav & Ike (2008)	(5,813 )
Windstorm Kyrill (2007)	(1,948 )
New Zealand Earthquake (2011)	(395 )
New Zealand Earthquake (2010)	7,711
Other	(2,829 )
Total large catastrophe events	(17,971 )
Small catastrophe events	
U.S. PCS 24 Wind and Thunderstorm (2013)	(6,299 )
U.S. PCS 76 Wind and Thunderstorm (2012)	(3,370 )
European Floods (2013)	(3,020 )
U.S. PCS 73 Wind and Thunderstorm (2012)	3,737
U.S. PCS 70 Wind and Thunderstorm (2012)	9,625
Other	(846 )
Total small catastrophe events	(173 )
Total favorable development of prior accident years net claims and claim expenses	\$(18,144 )



The favorable development of prior accident years net claims and claim expenses within our Catastrophe Reinsurance segment in the nine months ended September 30, 2014 of \$18.1 million was principally comprised of favorable development of \$14.7 million, \$6.3 million and \$5.8 million related to the 2011 April & May U.S. Tornadoes, a 2013 U.S. wind and thunderstorm event and the 2008 Hurricanes (Gustav and Ike), offset by adverse development of \$9.6 million, \$7.7 million and \$3.7 million related to a 2012 U.S. wind and thunderstorm event, the 2010 New Zealand earthquake and a 2012 U.S. wind and thunderstorm event, each principally the result of changes in our estimated ultimate loss for each respective event, with the remainder due to net favorable development on a number of other events.

The following table details the development of our liability for unpaid claims and claim expenses for the Catastrophe Reinsurance segment for the nine months ended September 30, 2013:

Nine months ended September 30, 2013	Catastrophe Reinsurance Segment
(in thousands)	
Catastrophe net claims and claim expenses	
Large catastrophe events	
Hurricanes Gustav & Ike (2008)	\$(12,847 )
Windstorm Kyrill (2007)	(7,333 )
New Zealand Earthquake (2011)	(5,213 )
Tohoku Earthquake and Tsunami (2011)	(4,597 )
New Zealand Earthquake (2010)	1,627
Hurricane Isaac (2012)	2,610
Other	(2,391 )
Total large catastrophe events	(28,144 )
Small catastrophe events	
U.S. PCS 76 Wind and Thunderstorm (2012)	(3,650 )
U.S. PCS 83 Wind and Thunderstorm (2012)	(3,500 )
U.S. PCS 70 Wind and Thunderstorm (2012)	5,850
Other	(13,622 )
Total small catastrophe events	(14,922 )
Total favorable development of prior accident years net claims and claim expenses	\$(43,066 )

The favorable development of prior accident years claims and claim expenses within our Catastrophe Reinsurance segment in the nine months ended September 30, 2013 of \$43.1 million was primarily due to \$12.8 million, \$7.3 million and \$5.2 million of favorable development related to reductions in the expected ultimate net losses for the 2008 Hurricanes (Gustav and Ike), Windstorm Kyrill of 2007 and the 2011 New Zealand Earthquake, respectively, as reported claims came in better than expected, and \$26.1 million of net favorable development related to a number of other catastrophes principally the result of reported claims coming in less than expected, resulting in decreases to the ultimate claims for these events through the application of our formulaic actuarial reserving methodology. Partially offsetting the reductions noted above was adverse development of \$5.9 million and \$2.6 million associated with an increase in reported gross ultimate losses on a 2012 U.S. wind and thunderstorm event and Hurricane Isaac, respectively.

#### Specialty Reinsurance Segment

Within our Specialty Reinsurance segment, we write a number of reinsurance lines such as aviation, casualty clash, catastrophe exposed personal lines property, catastrophe exposed workers' compensation, crop, energy, financial guaranty, financial liability, mortgage guaranty, political risk, surety, terrorism, trade credit, certain other casualty lines including directors and officers liability, general liability, medical malpractice and professional indemnity, and other specialty lines of reinsurance that we collectively refer to as specialty reinsurance. We offer our specialty



reinsurance products principally on an excess of loss basis, as described above with respect to our property catastrophe reinsurance products, and we also

provide specialty protection or proportional coverage which we expect to grow on an absolute or relative basis within this segment in the future. In a proportional reinsurance arrangement (also referred to as quota share reinsurance or pro-rata reinsurance), the reinsurer shares a proportional part of the original premiums and losses of the reinsured. We offer our specialty reinsurance products to insurance companies and other reinsurance companies and provide coverage for specific geographic regions or on a worldwide basis.

Our Specialty Reinsurance segment can generally be characterized as providing coverage for low frequency and high severity losses, similar to our property catastrophe reinsurance business. As with our property catastrophe reinsurance business, our specialty reinsurance contracts frequently provide coverage for relatively large limits or exposures. As a result of the foregoing, our specialty reinsurance business is subject to significant claims volatility. In periods of low claims frequency or severity, our results will generally be favorably impacted while in periods of high claims frequency or severity our results will generally be negatively impacted. We have more recently positioned RenaissanceRe Specialty Risks to accept a wider range of quota share risks, facilitating our efforts to expand trading relationships with core clients via a separate, highly-rated balance sheet. While we remain focused on underwriting discipline, and are seeking to remain focused on opportunities amenable to stochastic representation and supported by strong data and analytics, this expanded product suite through RenaissanceRe Specialty Risks may pose new, unmodelled or unforeseen risks for which we may not be adequately compensated and may also result in a higher level of attritional claims and claim expenses.

Our processes and methodologies in respect of loss estimation for the coverages we offer through our specialty reinsurance operation differ from those used for our property catastrophe-oriented coverages. For example, our specialty reinsurance coverages are more likely to be impacted by factors such as long-term inflation and changes in the social, legal and economic environment, which we believe gives rise to greater uncertainty in our claims reserves. Moreover, in reserving for our specialty reinsurance coverages we do not have the benefit of a significant amount of our own historical experience in certain lines of business and may have little or no related corporate reserving history in new lines of business. We believe these factors make our Specialty Reinsurance segment reserving subject to greater uncertainty than our Catastrophe Reinsurance segment.

When initially developing our reserving techniques for our specialty reinsurance coverages, we considered estimating reserves utilizing several actuarial techniques such as paid and reported loss development methods. We elected to use the Bornhuetter-Ferguson actuarial method because this method is appropriate for lines of business, such as our specialty reinsurance business, where there is a lack of historical claims experience. This method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data. This method uses initial expected loss ratio expectations to the extent that the expected paid or reported losses are zero, and it assumes that past experience is not fully representative of the future. As our reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims is reflected in the respective reporting period as a change in estimate. We reevaluate our actuarial reserving techniques on a periodic basis.

The utilization of the Bornhuetter-Ferguson actuarial method requires us to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. We select our estimates of the expected ultimate claims and claim expense ratios and expected loss reporting patterns by reviewing industry results for similar business and adjusting for the terms of the coverages we offer. The estimated expected claims and claim expense ratio may be modified to the extent that reported losses at a given point in time differ from what would be expected based on the selected loss reporting pattern. Our estimate of IBNR is the product of the premium we have earned, the initial expected ultimate claims and claim expense ratio and the percentage of estimated unreported losses. In addition, certain of our specialty reinsurance coverages may be impacted by natural and man-made catastrophes. We estimate claim reserves for these losses after the event giving rise to these losses occurs, following a process that is similar to our Catastrophe Reinsurance segment described above.



### Prior Year Development of Reserve for Net Claims and Claim Expenses

Within our specialty reinsurance business, we seek to review substantially all of our claims and claim expense reserves quarterly. Typically, our quarterly review procedures include reviewing paid and reported claims in the most recent reporting period, reviewing the development of paid and reported claims from prior periods, and reviewing our overall experience by underwriting year and in the aggregate. We monitor our expected ultimate claims and claim expense ratios and expected loss reporting assumptions on a quarterly basis and compare them to our actual experience. These actuarial assumptions are generally reviewed annually, based on input from our actuaries, underwriters, claims personnel and finance professionals, although adjustments may be made more frequently if needed. Assumption changes are made to adjust for changes in the pricing and terms of coverage we provide, changes in industry results for similar business, as well as our actual experience, to the extent we have enough data to rely on our own experience. If we determine that adjustments to an earlier estimate are appropriate, such adjustments are recorded in the period in which they are identified.

The following table details the development of our liability for unpaid claims and claim expenses for our Specialty Reinsurance segment for the nine months ended September 30, 2014:

Nine months ended September 30, 2014	Specialty Reinsurance Segment	
Catastrophe net claims and claim expenses		
Large catastrophe events		
Other	\$2,174	
Total large catastrophe events	2,174	
Total catastrophe net claims and claim expenses	2,174	
Attritional net claims and claim expenses		
Bornhuetter-Ferguson actuarial method - actual reported claims less than expected claims	(38,068	)
Total attritional net claims and claim expenses	(38,068	)
Total favorable development of prior accident years net claims and claim expenses	\$(35,894	)

The favorable development of prior accident years net claims and claim expenses within our Specialty Reinsurance segment in the nine months ended September 30, 2014 of \$35.9 million was primarily driven by reported claims coming in lower than expected on prior accident years events. There were no actuarial reserving assumption changes during the nine months ended September 30, 2014.

The following table details the development of our liability for unpaid claims and claim expenses for our Specialty Reinsurance segment for the nine months ended September 30, 2013:

Nine months ended September 30, 2013	Specialty Reinsurance Segment	
Attritional net claims and claim expenses		
Bornhuetter-Ferguson actuarial method - actual reported claims less than expected claims	\$(12,828	)
Actuarial assumption changes	(10,432	)
Total attritional net claims and claim expenses	(23,260	)
Total favorable development of prior accident years net claims and claim expenses	\$(23,260	)

The favorable development of prior accident years claims and claim expenses within our Specialty Reinsurance segment in the nine months ended September 30, 2013 of \$23.3 million was primarily driven by \$10.4 million associated with actuarial assumption changes, principally in our casualty clash and casualty risk lines of business, and primarily as a result of revised claim development factors based on actual loss experience, and \$12.8 million due to reported claims coming in lower than expected on prior accident years events, as a result of the application of our

formulaic actuarial reserving methodology.

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### Lloyd's Segment

Within our Lloyd's segment, we write property catastrophe excess of loss reinsurance contracts to insure insurance and reinsurance companies against natural and man-made catastrophes, and write a number of specialty reinsurance lines, insurance policies and quota share reinsurance that involves understanding the characteristics of the underlying insurance policy.

We use the Bornhuetter-Ferguson actuarial method to estimate claims and claim expenses within our Lloyd's segment for our specialty reinsurance and insurance lines of business. The comments discussed above relating to our reserving techniques and processes for our Specialty Reinsurance segment apply to the specialty reinsurance and insurance lines of business within our Lloyd's segment. In addition, certain of our coverages may be impacted by natural and man-made catastrophes. We estimate claim reserves for these losses after the event giving rise to these losses occurs, following a process that is similar to our Catastrophe Reinsurance segment as noted above.

### Prior Year Development of Reserve for Net Claims and Claim Expenses

The following table details the development of our liability for unpaid claims and claim expenses for our Lloyd's segment for the nine months ended September 30, 2014:

Nine months ended September 30, 2014	Lloyd's Segment	
Catastrophe net claims and claim expenses		
Large catastrophe events		
Other	\$(855	)
Total large catastrophe events	(855	)
Small catastrophe events		
Other	(1,676	)
Total small catastrophe events	(1,676	)
Total catastrophe net claims and claim expenses	(2,531	)
Attritional net claims and claim expenses		
Bornhuetter-Ferguson actuarial method - actual reported claims greater than expected claims	(1,644	)
Total attritional net claims and claim expenses	(1,644	)
Total favorable development of prior accident years net claims and claim expenses	\$(4,175	)

The favorable development of prior accident years net claims and claim expenses within our Lloyd's segment of \$4.2 million during the nine months ended September 30, 2014 was principally driven by better than expected claims activity.

The following table details the development of our liability for unpaid claims and claim expenses for our Lloyd's segment for the nine months ended September 30, 2013:

Nine months ended September 30, 2013	Lloyd's Segment
Catastrophe net claims and claim expenses	
Small catastrophe events	
Other	\$(861 )
Total small catastrophe events	(861 )
Total catastrophe net claims and claim expenses	(861 )
Attritional net claims and claim expenses	
Bornhuetter-Ferguson actuarial method - actual reported claims less than expected claims	(2,174 )
Total attritional net claims and claim expenses	(2,174 )
Total favorable development of prior accident years net claims and claim expenses	\$(3,035 )

The favorable development of prior accident years claims and claim expenses within our Lloyd's segment of \$3.0 million during the nine months ended September 30, 2013 was principally due to \$2.2 million related to decreases in estimated ultimate losses due to reported claims coming in lower than expected on a number of prior accident years events, as a result of the application of our formulaic actuarial reserving methodology.

#### Capital Resources

Our total capital resources are as follows:

	At September 30, 2014	At December 31, 2013	Change
(in thousands)			
Common shareholders' equity	\$3,335,860	\$3,504,384	\$(168,524 )
Preference shares	400,000	400,000	—
Total shareholders' equity attributable to RenaissanceRe	3,735,860	3,904,384	(168,524 )
5.750% Senior Notes	249,499	249,430	69
RenaissanceRe revolving credit facility – borrowed	—	—	—
RenaissanceRe revolving credit facility – unborrowed	250,000	250,000	—
Total capital resources	\$4,235,359	\$4,403,814	\$(168,455 )

During the nine months ended September 30, 2014, our capital resources decreased by \$168.5 million, to \$4.2 billion, principally due to a decrease in common shareholders' equity as a result of \$478.6 million of common share repurchases as discussed in more detail in "Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" and \$34.8 million and \$16.8 million of dividends on our common and preference shares, respectively, partially offset by our comprehensive income attributable to RenaissanceRe of \$356.1 million.

There have been no material changes in our capital resources as disclosed in our Form 10-K for the year ended December 31, 2013, other than noted below and in the preceding paragraph.

#### Syndicated Letter of Credit Facility

RenaissanceRe and certain of its affiliates, Renaissance Reinsurance, ROE, RenaissanceRe Specialty Risks and DaVinci (such affiliates, collectively, the "Account Parties"), are parties to a Fourth Amended and Restated Reimbursement Agreement, dated May 17, 2012, with various banks and financial institutions parties thereto (collectively, the "Banks"), Wells Fargo, as issuing bank, administrative agent and collateral agent for the Banks, and certain other agents (the "Reimbursement Agreement").

The commitments under the Reimbursement Agreement expire on May 17, 2015. Effective as of March 31, 2014, RenaissanceRe reduced the commitments under its syndicated letter of credit facility from \$250.0 million to \$180.0 million, and effective June 30, 2014, RenaissanceRe further reduced the commitments under its syndicated letter of credit facility from \$180.0 million to \$100.0 million. The reductions were implemented in connection with a reassessment of the future collateral needs of RenaissanceRe, taking into account, among other things, its access to alternative sources of credit enhancement. Prior to the expiration date of May 17, 2015 and after giving effect to the reduction noted above, the commitments may, subject to the satisfaction of certain conditions, be increased from time to time up to an aggregate amount not to exceed \$450.0 million.

At September 30, 2014, we had \$74.2 million of letters of credit with effective dates on or before September 30, 2014 outstanding under the Reimbursement Agreement.

#### Bilateral Letter of Credit Facility (“Bilateral Facility”)

Effective October 1, 2013, each of ROE and RenaissanceRe Specialty U.S. became parties to the existing Bilateral Facility provided pursuant to the facility letter, dated September 17, 2010 and amended July 14, 2011, among Citibank Europe plc (“CEP”) and the existing participants: Renaissance Reinsurance, DaVinci and RenaissanceRe Specialty Risks (the “Bilateral Facility Participants”). The Bilateral Facility provides a commitment from CEP to issue letters of credit for the account of one or more of the Bilateral Facility Participants (inclusive of ROE and RenaissanceRe Specialty U.S.) and their respective subsidiaries in multiple currencies and in an aggregate amount of up to \$300.0 million, subject to a sublimit of \$50.0 million for letters of credit issued for the account of RenaissanceRe Specialty U.S. The Bilateral Facility was to expire on December 31, 2013; however, effective October 1, 2013, the Bilateral Facility was extended to December 31, 2014 and is evidenced by a facility letter (as amended) and five separate master agreements between CEP and each of the Bilateral Facility Participants, as well as certain ancillary agreements. At September 30, 2014, \$109.3 million was outstanding and \$190.7 million remained unused and available to the Bilateral Facility Participants under the Bilateral Facility.

#### Letters of Credit

At September 30, 2014, we had total letters of credit outstanding under all facilities of \$561.7 million.

Renaissance Reinsurance is also party to a collateralized letter of credit and reimbursement agreement in the amount of \$37.5 million that supports our Top Layer Re joint venture. Renaissance Reinsurance is obligated to make a mandatory capital contribution of up to \$50.0 million in the event that a loss reduces Top Layer Re’s capital below a specified level.

#### Multi-Beneficiary Reinsurance Trusts

Effective March 15, 2011, each of Renaissance Reinsurance and DaVinci was approved as a Trusteed Reinsurer in the State of New York and established a multi-beneficiary reinsurance trust (“MBRT”) to collateralize its respective (re)insurance liabilities associated with U.S. domiciled cedants. The MBRTs are subject to the rules and regulations of the State of New York and the respective deed of trust, including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Following the initial approval in the State of New York, Renaissance Reinsurance and DaVinci have submitted applications to all U.S. states to become Trusteed Reinsurers. As of September 30, 2014, Renaissance Reinsurance and DaVinci are approved in 52 and 51 U.S. states and territories, respectively. We expect, over time, to transition cedants with existing outstanding letters of credit to the appropriate MBRT as determined by cedant state of domicile, thereby reducing our absolute and relative reliance on letters of credit. Accordingly, it is our intention to seek to have new business incepting with cedants domiciled in approved states collateralized using a MBRT. Cedants collateralized with a MBRT will be eligible for automatic reinsurance credit in their respective U.S. regulatory filings. Assets held under trust at September 30, 2014 with respect to the MBRTs totaled \$506.6 million and \$173.0 million for Renaissance Reinsurance and DaVinci, respectively, compared to the minimum amount required under U.S. state regulations of \$484.4 million and \$140.2 million, respectively.



#### Multi-Beneficiary Reduced Collateral Reinsurance Trusts

Effective December 31, 2012, each of Renaissance Reinsurance and DaVinci has been approved as an “eligible reinsurer” in the State of Florida. Therefore they are each authorized to provide reduced collateral equal to 20% of their net outstanding insurance liabilities to Florida-domiciled insurers. Each of Renaissance Reinsurance and DaVinci has established a multi-beneficiary reduced collateral reinsurance trust (“RCT”) to collateralize its (re)insurance liabilities associated with Florida-domiciled cedants. Because the RCTs were established in New York, they are subject to the rules and regulations of the State of New York including but not limited to certain minimum capital funding requirements, investment guidelines, capital distribution restrictions and regulatory reporting requirements. Assets held under trust at September 30, 2014 with respect to the RCTs totaled \$42.6 million and \$18.7 million for Renaissance Reinsurance and DaVinci, respectively, compared to the minimum amount required under U.S. state regulations of \$18.1 million and \$10.7 million, respectively.

#### Redeemable Noncontrolling Interest – DaVinciRe

DaVinciRe shareholders are party to a shareholders agreement (the “Shareholders Agreement”) which provides DaVinciRe shareholders, excluding us, with certain redemption rights that enable each shareholder to notify DaVinciRe of such shareholder’s desire for DaVinciRe to repurchase up to half of such shareholder’s aggregate number of shares held, subject to certain limitations, such as limiting the aggregate of all share repurchase requests to 25% of DaVinciRe’s capital in any given year and satisfying all applicable regulatory requirements. If total shareholder requests exceed 25% of DaVinciRe’s capital, the number of shares repurchased will be reduced among the requesting shareholders pro-rata, based on the amounts desired to be repurchased. Shareholders desiring to have DaVinciRe repurchase their shares must notify DaVinciRe before March 1 of each year. The repurchase price will be based on GAAP book value as of the end of the year in which the shareholder notice is given, and the repurchase will be effective as of such date. Payment will be made by April 1 of the following year, following delivery of the audited financial statements for the year in which the repurchase was effective. The repurchase price is subject to a true-up for development on outstanding loss reserves after settlement of all claims relating to the applicable years.

During January 2014, DaVinciRe redeemed a portion of its outstanding shares from all existing DaVinciRe shareholders, including the Company, while a new DaVinciRe shareholder purchased shares in DaVinciRe. The net redemption as a result of these transactions was \$300.0 million. In connection with the redemption, DaVinciRe retained a \$60.0 million holdback. The Company’s noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 26.5%, effective January 1, 2014. During February 2014, DaVinciRe paid out \$30.0 million of the \$60.0 million holdback.

Effective July 1, 2014, the Company sold a portion of its shares of DaVinciRe to an existing third party shareholder. The Company sold these shares for \$38.9 million. The Company's ownership in DaVinciRe was 23.4% at June 30, 2014 and subsequent to the above transaction, its ownership interest in DaVinciRe decreased to 23.4% effective July 1, 2014.

## Investments

The table below shows our invested assets:

	September 30, 2014		December 31, 2013		Change	
(in thousands, except percentages)						
U.S. treasuries	\$ 1,636,326	24.3	% \$ 1,352,413	19.8	% \$ 283,913	
Agencies	120,025	1.8	% 186,050	2.7	% (66,025	)
Non-U.S. government (Sovereign debt)	282,326	4.2	% 334,580	4.9	% (52,254	)
Non-U.S. government-backed corporate	141,159	2.1	% 237,479	3.5	% (96,320	)
Corporate	1,572,168	23.4	% 1,803,415	26.4	% (231,247	)
Agency mortgage-backed	325,138	4.8	% 341,908	5.0	% (16,770	)
Non-agency mortgage-backed	264,455	3.9	% 257,938	3.8	% 6,517	
Commercial mortgage-backed	405,635	6.0	% 314,236	4.6	% 91,399	
Asset-backed	31,603	0.5	% 15,258	0.2	% 16,345	
Total fixed maturity investments, at fair value	4,778,835	71.0	% 4,843,277	70.9	% (64,442	)
Short term investments, at fair value	1,031,143	15.3	% 1,044,779	15.3	% (13,636	)
Equity investments trading, at fair value	301,714	4.5	% 254,776	3.7	% 46,938	
Other investments, at fair value	501,487	7.5	% 573,264	8.5	% (71,777	)
Total managed investment portfolio	6,613,179	98.3	% 6,716,096	98.4	% (102,917	)
Investments in other ventures, under equity method	118,245	1.7	% 105,616	1.6	% 12,629	
Total investments	\$ 6,731,424	100.0	% \$ 6,821,712	100.0	% \$(90,288	)

At September 30, 2014, we held investments totaling \$6.7 billion, compared to \$6.8 billion at December 31, 2013, with net unrealized appreciation included in accumulated other comprehensive income of \$3.8 million at September 30, 2014, compared to \$4.1 million at December 31, 2013. Our investment guidelines stress preservation of capital, market liquidity, and diversification of risk. Notwithstanding the foregoing, our investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. Refer to “Note 5. Fair Value Measurements” in our notes to the consolidated financial statements for additional information regarding the fair value of measurement of our investments.

As the reinsurance coverages we sell include substantial protection for damages resulting from natural and man-made catastrophes, we expect from time to time to become liable for substantial claim payments on short notice.

Accordingly, our investment portfolio as a whole is structured to seek to preserve capital and provide a high level of liquidity which means that the large majority of our investment portfolio consists of highly rated fixed income securities, including U.S. treasuries, agencies, highly rated sovereign and supranational securities, high-grade corporate securities and mortgage-backed and asset-backed securities. We also have an allocation to publicly traded equities reflected on our consolidated balance sheet as equity investments trading and an allocation to other investments (including hedge funds, private equity partnerships, a senior secured bank loan fund, catastrophe bonds and other investments). At September 30, 2014, our portfolio of equity investments trading totaled \$301.7 million, or 4.5%, of our total investments (December 31, 2013 - \$254.8 million or 3.7%) inclusive of our investment in Essent of \$107.7 million (December 31, 2013 - \$121.1 million), and our portfolio of other investments totaled \$501.5 million, or 7.5%, of our total investments (December 31, 2013 - \$573.3 million or 8.5%).

At June 30, 2014, we had a corporate fixed maturity investment of \$30.2 million in the convertible preferred equity of Trupanion, for which we measured the fair value using Level 3 inputs. On July 18, 2014, Trupanion common stock began publicly trading on the NYSE. Effective immediately prior to the closing of the IPO, our investment in the convertible preferred equity of Trupanion was converted into 2.5 million common shares of Trupanion. Trupanion common shares began publicly trading on the NYSE on July 18, 2014 at a share price of \$10.00, resulting in a fair value of \$24.6 million. Following the IPO, we transferred our investment in Trupanion from corporate fixed maturity

investments to our portfolio of equity investments trading on our consolidated balance sheet and any realized and unrealized gains or losses related to

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Trupanion from the IPO price are included in net realized and unrealized gains (losses) on investments on our Company's consolidated statements of operations. We have agreed, subject to certain exceptions, not to dispose of or hedge any of the common shares of Trupanion we hold prior to January 14, 2015. Included in equity investments trading at September 30, 2014 is \$20.9 million related to our investment in Trupanion.

#### Other Investments

The table below shows our portfolio of other investments:

	September 30, 2014	December 31, 2013	Change
(in thousands)			
Private equity partnerships	\$300,800	\$322,391	\$(21,591 )
Catastrophe bonds	179,246	229,016	(49,770 )
Senior secured bank loan funds	18,723	18,048	675
Hedge funds	2,718	3,809	(1,091 )
Total other investments	\$501,487	\$573,264	\$(71,777 )

We account for our other investments at fair value in accordance with FASB ASC Topic Financial Instruments. The fair value of certain of our fund investments, which principally include hedge funds, private equity funds and a senior secured bank loan fund, is recorded on our balance sheet in other investments, and is generally established on the basis of the net valuation criteria established by the managers of such investments, if applicable. The net valuation criteria established by the managers of such investments is established in accordance with the governing documents of such investments. Many of our fund investments are subject to restrictions on redemptions and sales which are determined by the governing documents and limit our ability to liquidate these investments in the short term. Certain of our fund managers, fund administrators, or both, are unable to provide final fund valuations as of our current reporting date. The typical reporting lag experienced by us to receive a final net asset value report is one month for hedge funds and senior secured bank loan funds and three months for private equity funds, although, in the past, in respect of certain of our private equity funds, we have on occasion experienced delays of up to six months at year end, as the private equity funds typically complete their respective year-end audits before releasing their final net asset value statements. In circumstances where there is a reporting lag between the current period end reporting date and the reporting date of the latest fund valuation, we estimate the fair value of these funds by starting with the prior month or quarter-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates, and then estimating the return for the current period. In circumstances in which we estimate the return for the current period, all information available to us is utilized. This principally includes preliminary estimates reported to us by our fund managers, obtaining the valuation of underlying portfolio investments where such underlying investments are publicly traded and therefore have a readily observable price, using information that is available to us with respect to the underlying investments, reviewing various indices for similar investments or asset classes, as well as estimating returns based on the results of similar types of investments for which we have obtained reported results, or other valuation methods, where possible. Actual final fund valuations may differ, perhaps materially so, from our estimates and these differences are recorded in our consolidated statement of operations in the period in which they are reported to us as a change in estimate. Included in net investment income for the nine months ended September 30, 2014 is a loss of \$0.6 million (2013 - loss of \$3.7 million) representing the change in estimate during the period related to the difference between our estimated net investment income due to the lag in reporting discussed above and the actual amount as reported in the final net asset values provided by our fund managers.

Our estimate of the fair value of catastrophe bonds is based on quoted market prices, or when such prices are not available, by reference to broker or underwriter bid indications. Refer to "Note 5. Fair Value Measurements" in our notes to the consolidated financial statements for additional information regarding the fair value of measurement of our investments.

Interest income, income distributions and realized and unrealized gains (losses) on other investments are included in net investment income and resulted in \$28.9 million of net investment income for the nine

months ended September 30, 2014 (2013 - \$64.2 million). Of this amount, \$2.9 million relates to net unrealized gains (2013 - unrealized gains of \$32.6 million).

We have committed capital to private equity partnerships and other investments of \$632.1 million, of which \$550.2 million has been contributed at September 30, 2014. Our remaining commitments to these investments at September 30, 2014 totaled \$84.2 million. In the future, we may enter into additional commitments in respect of private equity partnerships or individual portfolio company investment opportunities.

#### EFFECTS OF INFLATION

The potential exists, after a catastrophe loss, for the development of inflationary pressures in a local economy. The anticipated effects on us are considered in our catastrophe loss models. Our estimates of the potential effects of inflation are also considered in pricing and in estimating reserves for unpaid claims and claim expenses. In addition, it is possible that the risk of general economic inflation has increased which could, among other things, cause claims and claim expenses to increase and also impact the performance of our investment portfolio. The actual effects of this potential increase in inflation on our results cannot be accurately known until, among other items, claims are ultimately settled. The onset, duration and severity of an inflationary period cannot be estimated with precision.

#### OFF-BALANCE SHEET AND SPECIAL PURPOSE ENTITY ARRANGEMENTS

At September 30, 2014, we have not entered into any off-balance sheet arrangements, as defined by Item 303(a)(4) of Regulation S-K.

#### CONTRACTUAL OBLIGATIONS

In the normal course of its business, the Company is a party to a variety of contractual obligations as summarized in the Company's Form 10-K for the year ended December 31, 2013. These contractual obligations are considered by the Company when assessing its liquidity requirements. As of September 30, 2014, there are no material changes in the Company's contractual obligations as disclosed in the Company's table of contractual obligations included in the Company's Form 10-K for the year ended December 31, 2013.

In certain circumstances, our contractual obligations may be accelerated to dates other than those set forth in the Company's Form 10-K for the year ended December 31, 2013, due to defaults under the agreement governing those obligations (including pursuant to cross-default provisions in such agreement) or in connection with certain changes in control of the Company, if applicable. In addition, in connection with any such default under the agreement governing these obligations, in certain circumstances these obligations may bear an increased interest rate or be subject to penalties as a result of such a default.

## CURRENT OUTLOOK

### Catastrophe Exposed Market Developments

Notwithstanding the severe global catastrophic losses during 2011, the advent in late 2012 of Storm Sandy, one of the most significant insured losses on record, and the increased frequency of severe weather events during these periods in many high-insurance-penetration regions, in each of 2013 and 2014 the global insurance and reinsurance markets have manifested near-record levels of industry wide capital held, as well as diminished growth of reinsurance demand for many coverages and solutions. During the 2013 reinsurance renewals, we believe that supply, principally from traditional market participants and complemented by alternative capital providers, more than offset market demand, resulting in a dampening of overall market pricing on a risk-adjusted basis, except for, in general, loss impacted treaties and contracts. We believe these trends accelerated during the January, June and July 2014 renewals, driven by both the availability of traditional and alternative capital, and perceptions of the potential availability of additive alternative capital; which were only partially offset by capital return initiatives and modest new aggregate demand in the market. We continue to expect the supply of capital to out-pace any growth of demand and accordingly, we do not expect market developments to shift more favorably in the near term, absent unusually large, or unforeseen, contingent events.

Although our in-force book of business remains attractive to us, with our continuing focus on underwriting discipline, absent changed conditions, we do not expect to maintain the size of our aggregate book of business; and while we will strive to maintain a high level of net portfolio quality, we cannot assure you that we will succeed in doing so. In addition, we believe that many of the key markets we serve are increasingly characterized by large, increasingly sophisticated cedants who are able to manage large retentions, can access risk transfer capital in expanding forms, and who may seek to focus their reinsurance relationships on a core group of well-capitalized, highly-rated reinsurers who can provide a complete product suite as well as value added service. While we believe we are well positioned to compete for this business, these dynamics may introduce or exacerbate challenges in our markets.

### General Economic Conditions

We believe that new uncertainties have developed regarding the strength, duration and comprehensiveness of the economic recovery in the U.S., and the health of certain significant economies in the E.U. and other key markets. In particular, global economic markets, including many of the key markets which we serve, may continue to be adversely impacted by the financial and fiscal instability of several European jurisdictions and certain large developing economies, potentially including the impacts of instability in the Middle East, Ukraine and Russia. Accordingly, we continue to believe that meaningful risk remains for continued uncertainty or adverse disruptions in general economic and financial market conditions. Moreover, future economic growth may be only at a comparably suppressed rate for a relatively extended period of time. Declining or weak economic conditions could reduce demand for the products sold by us or our customers, or could weaken our overall ability to write business at risk-adequate rates. In addition, persistent low levels of economic activity could adversely impact other areas of our financial performance, such as by contributing to unforeseen premium adjustments, mid-term policy cancellations or commutations, or asset devaluation. Any of the foregoing or other outcomes of a prolonged period of relative economic weakness could adversely impact our financial position or results of operations. In addition, during a period of extended economic weakness, we believe our consolidated credit risk, reflecting our counterparty dealings with customers, agents, brokers, retrocessionaires, capital providers and parties associated with our investment portfolio, among others, is likely to be increased. Several of these risks could materialize, and our financial results could be negatively impacted, even after the end of any period of economic weakness.

Moreover, we continue to monitor the risk that our principal markets will experience increased inflationary conditions, which would, among other things, cause costs related to our claims and claim expenses to increase, and impact the performance of our investment portfolio. The onset, duration and severity of an inflationary period cannot be estimated with precision. The continued uncertainty in respect of large developing jurisdictions and the related financial restructuring efforts, among other factors, makes it more difficult to predict the inflationary environment.

Our catastrophe-exposed operations are subject to the ever-present potential for significant volatility in capital due primarily to our exposure to severe catastrophic events. Our specialty reinsurance portfolio is also exposed to emerging risks arising from the ongoing relative economic weakness, including with respect to a potential increase of claims in directors and officers, errors and omissions, surety, casualty clash and other lines of business.

The sustained and continuing environment of low interest rates, as compared to past periods, has lowered the yields at which we invest our assets. We expect these developments, combined with the current composition of our investment portfolio and other factors, to continue to constrain investment income growth for the near term. In addition to impacting our reported net income, potential future losses on our investment portfolio, including potential future mark-to-market results, would adversely impact our equity capital. Moreover, as we invest cash from new premiums written or reinvest the proceeds of invested assets that mature or that we choose to sell, the yield on our portfolio is impacted by the prevailing environment of comparably low yields. While it is possible yields will improve in future periods, we currently expect the challenging economic conditions to generally persist and we are unable to predict with certainty when conditions will substantially improve, or the pace of any such improvement.

#### Market Conditions and Competition

Leading global intermediaries and other sources have generally reported that the U.S. casualty reinsurance market continues to reflect a relatively soft pricing environment, though we believe that pockets of niche or specialty casualty lines may provide more attractive opportunities for stronger or well-positioned reinsurers. However, we cannot assure you that any increased demand will indeed materialize or that we will be successful in consummating new or expanded transactions.

We currently anticipate a continued level of slowly growing demand for our catastrophe coverages as a whole over coming periods, with select pockets of more rapidly growing demand, albeit offset by ample and likely increasing supplies of private market capital. Renewal terms vary widely by insured account and our ability to shape our portfolio to improve its risk and return characteristics as estimated by us is subject to a range of competitive and commercial factors. While we believe that our strong relationships, and track record of superior claims paying ability and other client services will enable us to compete for the business we find attractive, we may not succeed in doing so; moreover, our relationships in emerging markets are not as developed as they are in our current core markets.

The market for our catastrophe reinsurance products is generally dynamic and volatile. The market dynamics noted above, increased or decreased catastrophe loss activity, and changes in the amount of capital in the industry can result in significant changes to the pricing, policy terms and demand for our catastrophe reinsurance products over a relatively short period of time. In addition, changes in state-sponsored catastrophe funds, or residual markets, or the implementation of new government-subsidized or sponsored programs, can dramatically alter market conditions. We believe that the overall trend of increased frequency and severity of tropical cyclones experienced in recent years may continue for the foreseeable future. Increased understanding of the potential increase in frequency and severity of storms may contribute to increased demand for protection in respect of coastal risks which could impact pricing and terms and conditions in coastal areas over time. Overall, we expect higher property loss cost trends, driven by increased severity and by the potential for increased frequency, to continue in the future. At the same time, certain markets we target continue to be impacted by fundamental weakness experienced by primary insurers, due to ongoing economic weakness and, in many cases, inadequate primary insurance rate levels, including without limitation insurers operating on an admitted basis in Florida. These conditions, which occurred in a period characterized by relatively low insured catastrophic losses for these respective regions, have contributed to certain publicly announced instances of insolvency, regulatory supervision and other regulatory actions, and have weakened the ability of certain carriers to invest in reinsurance and other protections for coming periods, and in some cases to meet their existing premium obligations. It is possible that these dynamics will continue in future periods.

In addition, we continue to explore potential strategic transactions or investments, and other opportunities, from time to time that are presented to us or that we originate. In evaluating these potential investments and opportunities, we seek to improve the portfolio optimization of our business as a whole, to enhance our strategy, to achieve an attractive estimated return on equity in respect of investments, to develop or capitalize on a competitive advantage, and to source business opportunities that will not detract from our





core operations. Our efforts to explore strategic transactions may not result in positive gains, or may not yield material contributions to our financial results or book value growth over time. Alternatively, strategic investments in which we engage to improve the optimization of our business, focus our operations on core or scalable business, or position us for future opportunities, may fail to be successfully executed, pose more operational risk than we estimate or otherwise not yield the financial or strategic benefits we seek. Should we pursue or consummate a strategic transaction, we may mis-value the acquired company or operations, fail to integrate the acquired operation appropriately into our own franchise, expend unforeseen costs during the acquisition or integration process, or encounter unanticipated risks or challenges.

#### Legislative and Regulatory Update

In January 2013, Congresswoman Frederica Wilson introduced the Homeowners' Defense Act which would, if enacted, provide for the creation of (i) a federal reinsurance catastrophe fund; (ii) a federal consortium to facilitate qualifying state residual markets and catastrophe funds in securing reinsurance; and (iii) a federal bond guarantee program for state catastrophe funds in qualifying state residual markets. In January 2013, Congressman Dennis Ross introduced the Homeowners' Insurance Protection Act (HR 240). The bill would create a federal catastrophe reinsurance program to back up state insurance or reinsurance programs. Other analogous bills have been introduced in the past and may be introduced in the future.

If enacted, any of these bills, or legislation similar to these proposals, would, we believe, likely contribute to the growth of state entities offering below market priced insurance and reinsurance in a manner adverse to us and market participants more generally. While none of this legislation has been enacted to date, and although we believe such legislation will continue to be vigorously opposed, if adopted these bills would likely diminish the role of private market catastrophe reinsurers and could adversely impact our financial results, perhaps materially.

In June 2012, Congress passed the Biggert-Waters Bill, which provided for a five-year renewal of the National Flood Insurance Program (the "NFIP") and effected substantial reforms in the program. Among other things, pursuant to this statute, the Federal Emergency Management Agency ("FEMA") was explicitly authorized to carry out initiatives to determine the capacity of private insurers, reinsurers, and financial markets to assume a greater portion of the flood risk exposure in the U.S., and to assess the capacity of the private reinsurance market to assume some of the program's risk. The bill also provided for increasing the annual limitation on program premium increases from 10% to 20% of the average of the risk premium rates for certain properties concerned; established a four-year phase-in, after the first year, in annual 20% increments, of full actuarial rates for a newly mapped risk premium rate area; instructed FEMA to establish new flood insurance rate maps; allowed multi-family properties to purchase NFIP policies; and introduced minimum deductibles for flood claims. In March 2014, the U.S. Congress passed a bill cosponsored by Michael Grimm and Maxine Waters entitled the "Homeowner Flood Insurance Affordability Act of 2014" (the "Grimm-Waters Act"), which amends, delays or defers some of the provisions of Biggert-Waters Bill. Among other things, the Grimm-Waters Act reverts back to exempting "grandfathered" policies from rate increases that might otherwise have been applied upon the approval of updated flood maps, introduces certain caps on the rate of premium increases even where actuarially indicated; eliminates certain provisions which provided for accelerated rate adequacy on the sale of covered properties; and introduces policy surcharges of \$25 for residences and \$250 for commercial properties near-term. We believe that the passage of the Grimm-Waters Act will have an adverse impact on prospects for increased U.S. private flood insurance demand, the stability of the NFIP and the primary insurers that produce policies for the NFIP or offer private coverages. However, the Grimm-Waters Act did not amend certain features of the Biggert-Waters Bill which could, over time, support the growth of such demand, albeit it at a slower pace and with greater uncertainty, such as the continuation, subject to annual limits, of some potential premium increases and the potential continuation of certain reforms relating to commercial properties and to homes that are not primary residences. However, we cannot assure you that the provisions of the Biggert-Waters Bill will not be superseded by additional new legislation or will otherwise ultimately be implemented by the NFIP or that, if implemented, will materially benefit private carriers, or that we will succeed in participating in any positive market developments that may transpire.

In 2007, the State of Florida enacted legislation to expand the FHCF provision of below-market rate reinsurance to up to \$28.0 billion per season (the "2007 Florida Bill"). In May of 2009, the Florida legislature enacted

Bill No. CS/HB 1495 (the “2009 Bill”), which will gradually phase out \$12.0 billion in optional reinsurance coverage under the FHCF over the succeeding five years. The 2009 Bill similarly allows the

state-sponsored property insurer, Citizens, to raise its rates by up to 10% starting in 2010 and every year thereafter, until such time that it has sufficient funds to pay its claims and expenses. The rate increases and cut back on coverage by the FHCF and Citizens have supported, over this period, a relatively increased role of the private insurers in Florida, a market in which we have established substantial market share.

In May 2011, the Florida legislature passed Florida Senate bill 408 (“SB 408”), relating principally to property insurance. Among other things, SB 408 requires an increase in minimum capital and surplus for newly licensed Florida domestic insurers from \$5.0 million to \$15.0 million; institutes a three-year claims filing deadline for new and reopened claims from the date of a hurricane or windstorm; allows an insurer to offer coverage where replacement cost value is paid, but initial payment is limited to actual cash value; allows admitted insurers to seek rate increases up to 15% to adjust for third party reinsurance costs; and institutes a range of reforms relating to various matters that have increased the costs of insuring sinkholes in Florida. We believe SB 408 and other reform initiatives have contributed to stabilization of the Florida market and have increased both private and market demand and affordability in the Florida market.

We believe the 2007 Florida Bill caused a substantial decline at that time in the private reinsurance and insurance markets in and relating to Florida, and contributed to instability in the Florida primary insurance market, where many insurers have reported substantial and continuing losses from 2009 through 2012, despite the period being an unusually low period for catastrophe losses in the state. Because of our position as one of the largest providers of catastrophe-exposed coverage, both on a global basis and in respect of the Florida market, adverse changes in the Florida market or to Florida primary insurance companies, may have a disproportionate adverse impact on us compared to other reinsurance market participants. Moreover, the advent of a large windstorm, or of multiple smaller storms, could challenge the assessment-based claims paying capacity of Citizens and the FHCF. For example, in several recent years, the FHCF Advisory Council approved official bonding capacity estimates that reflected a shortfall in respect of even an initial season or event. Any inability, or delay, in the claims paying ability of these entities or of private market participants could further weaken or destabilize the Florida market, potentially giving rise to an unpredictable range of adverse impacts. The FHCF and the Florida Office of Insurance Regulation (the “OIR”) have each estimated that even partial failure, or deferral, of the FHCF’s ability to pay claims in full could substantially weaken numerous private insurers, with the OIR having estimated that a 25% shortfall in the FHCF’s claims-paying capacity could cause as many as 24 of the top 50 insurers in the state to have less than the statutory minimum surplus of \$5.0 million, with such insurers representing approximately 35% of the market based on premium volume, or approximately 2.2 million policies. Adverse market, regulatory or legislative changes impacting Florida could affect our ability to sell certain of our products, to collect premiums we may be owed on policies we have already written, to renew business with our customers for future periods, or have other adverse impacts, some of which may be difficult to foresee, and could therefore have a material adverse effect on our operations.

In May 2013, the Florida Legislature adopted legislation comprising some modest reforms of Citizens. Among other things, the legislation empowered Citizens to create a so-called “clearinghouse” mechanism with the intent of facilitating the transfer to admitted private market carriers of residential policies that might otherwise be bound by or remain in Citizens. In addition the legislation provides for a reduction in the current structure value cap on eligibility for Citizens from \$1.0 million to \$0.7 million over three years; and prohibits Citizens from insuring new structures located seaward of the coastal construction control line and in the broader federal Coastal Barrier Resources system. The “clearinghouse” mechanism contemplated by the May 2013 legislation commenced operation for proposed new Citizens business in January 2014. The clearinghouse is also now operational in respect of a limited number of carriers for existing customers of Citizens, who thereafter may be renewed by a participating private insurance carrier approved by the state if that company offers comparable coverage at equal or less cost than the Citizens renewal rate. Proposed new customers of Citizens may be directed via the mechanism of the clearinghouse to an eligible private carrier if that company’s estimate for comparable coverage is within 15% of a quote for a Citizens policy. The number of participating private carriers is expected to grow in coming periods. If successful, it is possible that the “clearinghouse” mechanism will contribute incrementally to increased private market demand over time. However, it is possible the “clearinghouse” mechanism will not operate successfully; that participating carriers may not choose to cede risk to reinsurers in general or to the Company in particular; or that any growth attributable to the “clearinghouse”

mechanism will be offset by other changes returning risk to the state public sector.

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In November 2014, elections will be held in Florida, as in many U.S. states, in respect of the gubernatorial office and other statewide elected positions, each member of the Florida House of Representatives and half of the members of the Florida Senate. In the past, significant changes in the Florida insurance market have followed some administrative and leadership transitions. We cannot predict the outcome of these or other elections or their potential impact on our customers and markets.

Internationally, in the wake of the large natural catastrophes in 2011 a number of proposals have been introduced to alter the financing of natural catastrophes in several of the markets in which we operate. For example, the Thailand government has announced it is studying proposals for a natural catastrophe fund, under which the government would provide coverage for natural disasters in excess of an industry retention and below a certain limit, after which private reinsurers would continue to participate. The government of the Philippines has announced that it is considering similar proposals. A range of proposals from varying stakeholders have been reported to have been made to alter the current regimes for insuring flood risk in the U.K. and Australia and earthquake risk in New Zealand. If these proposals are enacted and reduce market opportunities for our clients or for the reinsurance industry, we could be adversely impacted.

Over the past few years the U.S. Congress has considered legislation which, if passed, would deny U.S. insurers and reinsurers the deduction for reinsurance placed with non-U.S. affiliates. In early 2013, as well as the immediate few prior years, the Obama administration included a formal proposal for such a provision in its budget proposal. As described in the administration's 2013 budget request, the proposal would deny an insurance company a deduction for premiums and other amounts paid to affiliated foreign companies with respect to reinsurance of property and casualty risks to the extent that the foreign reinsurer (or its parent company) is not subject to U.S. income tax with respect to the premiums received; and would exclude from the insurance company's income (in the same proportion in which the premium deduction was denied) any return premiums, ceding commissions, reinsurance recovered, or other amounts received with respect to reinsurance policies for which a premium deduction is wholly or partially denied. We believe that the passage of such legislation could adversely affect the reinsurance market broadly and potentially impact our own current or future operations in particular.

On February 11, 2013, U.S. Senators Carl Levin and Sheldon Whitehouse introduced legislation in the U.S. Senate entitled the "Cut Unjustified Tax Loopholes Act". Similar legislation was also proposed earlier in 2013 as well as in 2012, 2011 and 2010. If enacted, this legislation would, among other things, cause to be treated as a U.S. corporation for U.S. tax purposes generally, certain corporate entities if the "management and control" of such a corporation is, directly or indirectly, treated as occurring primarily within the U.S. The proposed legislation provides that a corporation will be so treated if substantially all of the executive officers and senior management of the corporation who exercise day-to-day responsibility for making decisions involving strategic, financial, and operational policies of the corporation are located primarily within the U.S. To date, this legislation has not been approved by either the House of Representatives or the Senate. However, we can provide no assurance that this legislation or similar legislation will not ultimately be adopted. While we do not believe that the legislation would negatively impact us, it is possible that an adopted bill would include additional or expanded provisions which could negatively impact us, or that the interpretation or enforcement of the current proposal, if enacted, would be more expansive or adverse than we currently estimate.

In November 2013, former Senate Finance Committee Chairman Max Baucus released a tax reform discussion draft on international tax issues that included two proposals that would change the definitions of controlled foreign corporation and passive foreign investment company. We do not believe these proposals would, if enacted, directly apply to us, but it is possible that they might apply to shareholders of certain of our joint ventures, possibly discouraging those shareholders from continuing to participate in the joint venture or impeding our ability to attract or retain other investors. We are not aware of any corresponding current legislation in the House of Representatives. Senator Baucus recently retired from the Senate and it is uncertain whether this proposal will formally be proposed as legislation or ever enacted.

In July 2014, the Senate Finance Committee conducted hearings in respect of transactions in which U.S.-based companies merge with or acquire foreign companies in structures referred to as inversions. In addition, the Committee has conducted processes in respect of reinsurance companies organized outside the United States whose capital is

primarily derived from, or whose assets are managed by, hedge funds. We do not believe our operations, structure or strategy are relevant to any of these inquiries, although we can not anticipate with certainty the ambit of future Congressional inquiry or action. Some media reports

have indicated that the Chair of the Senate Finance Committee may introduce related legislation putatively intended to address perceived issues relating to hedge fund managed reinsurance companies in the fourth quarter of 2014. We cannot predict with certainty the nature of this legislation or its potential impact on us or the reinsurance market more broadly.

On July 24, 2013, the New York State Department of Financial Services (the “DFS”) issued an Insurance Circular Letter No. 6 (2013) (the “Circular”) to all Accredited Reinsurers writing business in New York State. Renaissance Reinsurance and DaVinci are Accredited Reinsurers in New York. As described in the Circular, the DFS is seeking information concerning Accredited Reinsurers’ compliance with the Iran Freedom and Counter-Proliferation Act of 2012 (the “IFCPA”), which was passed by the U.S. Congress in 2012 and which became effective on July 1, 2013. The Accredited Reinsurers to whom the Circular applies do business in New York and are all based outside the United States. The DFS is responsible for the regulation of insurers doing business in New York State. We intend to cooperate with the DFS in their request for information in this regard. We believe our existing risk-based compliance program is responsive to the IFCPA and we are not aware of any non-compliance with the IFCPA. While we believe that this request for information by the DFS will not have a material adverse impact on our operations, it is possible that our industry could see increased scrutiny and perhaps additional enforcement of sanction laws and regulations. We cannot assure you that increased enforcement of sanction laws and regulations will not impact our business more adversely than we currently estimate.

In 2008, the IRS issued a revenue ruling (the “2008 Revenue Ruling”) expressing a position that premiums covering U.S. risks paid by a foreign insurer or reinsurer to another foreign reinsurer are subject to a 1% insurance federal excise tax (“FET”). In essence, pursuant to the views expressed in the 2008 Revenue Ruling, FET should be imposed on a “cascading” basis, including to these reinsurance arrangements which are referred to in the industry as “retrocessions”, as the IRS took the view that all payments of premiums to foreign insurers or reinsurers in respect of the ultimate underlying risks are also subject to FET. In February 2014, the U.S. District Court for the District of Columbia held that FET does not apply to secondary reinsurance transactions covering U.S. risks between two foreign reinsurance companies. The decision, if upheld, effectively countermands the 2008 Revenue Ruling. Accordingly, it is possible that foreign reinsurance companies such as certain of our operating subsidiaries that have paid the “cascading” FET on retrocessions may in the future be eligible to file and receive refund claims. At this time, the IRS has appealed the decision, and we cannot predict the outcome of the appeal. It is also possible that in the future U.S. Congress may adversely amend the existing legislation or adopt new statutory language which would adversely affect us, the industry generally or our ceding clients in respect of excise tax liabilities.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are principally exposed to four types of market risk: interest rate risk; foreign currency risk; credit risk; and equity price risk. The Company’s investment guidelines permit, subject to approval, investments in derivative instruments such as futures, options, foreign currency forward contracts and swap agreements, which may be used to assume risks or for hedging purposes. See the Company’s Form 10-K for the fiscal year ended December 31, 2013 for additional information related to the Company’s exposure to these risks. There are no material changes from the risk factors previously disclosed in the Company’s Form 10-K for the year ended December 31, 2013.



**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Internal Controls:** We have designed various disclosure controls and procedures (as defined in Rules 13a-15(e) and Rule 15d-15(e) under the Exchange Act), to help ensure that information required to be disclosed in our periodic Exchange Act reports, such as this quarterly report, is recorded, processed, summarized and reported on a timely and accurate basis. Our disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our senior management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

**Limitations on the Effectiveness of Controls:** Our Board of Directors and management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. Controls, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls are met. Further, we believe that the design of prudent controls must reflect appropriate resource constraints, such that the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all controls, there can be no absolute assurance that all control issues and instances of fraud, if any, applicable to us have been or will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some individuals, by collusion of more than one person, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Evaluation:** An evaluation was performed under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based upon that evaluation, the Company's management, including our Chief Executive Officer and Chief Financial Officer, concluded that, at September 30, 2014, the Company's disclosure controls and procedures were effective at the reasonable assurance level in ensuring that information required to be disclosed in Company reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Company's internal control over financial reporting during the three months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings previously disclosed in our Form 10-K for the year ended December 31, 2013.

We and our subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct surplus lines insurance policies. This category of business litigation may involve allegations of underwriting or claims-handling errors or misconduct, employment claims, regulatory actions or disputes arising from our business ventures. Our operating subsidiaries are subject to claims litigation involving, among other things, disputed interpretations of policy coverages. Generally, our direct surplus lines insurance operations are subject to greater frequency and diversity of claims and claims-related litigation than our reinsurance operations and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving claims on policies issued by our subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in its loss and loss expense reserves which are discussed in its loss reserves discussion. In addition, we may from time to time engage in litigation or arbitration related to claims for payment in respect of ceded reinsurance, including disputes that challenge our ability to enforce our underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to us or not doing so on a timely basis. We may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate accordingly. Currently, we believe that no individual litigation or arbitration to which we are presently a party is likely to have a material adverse effect on our financial condition, business or operations.

### ITEM 1A. RISK FACTORS

There are no material changes from the risk factors previously disclosed in our Form 10-K for the year ended December 31, 2013.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. On August 6, 2014, RenaissanceRe's Board of Directors approved a renewal of its authorized share repurchase program for an aggregate amount of \$500.0 million. Unless terminated earlier by resolution of RenaissanceRe's Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The table below details the repurchases that were made under the program during the three months ended September 30, 2014, and also includes other shares purchased which represents withholdings from employees surrendered in respect of withholding tax obligations on the vesting of restricted stock, or in lieu of cash payments for the exercise price of employee stock options.

	Total shares purchased		Other shares purchased		Shares purchased under repurchase program		Dollar amount still available under repurchase program (in millions)
	Shares purchased	Average price per share	Shares purchased	Average price per share	Shares purchased	Average price per share	
Beginning dollar amount available to be repurchased							\$ 500.0
July 1 - 31, 2014	68,385	\$98.47	2,127	\$108.42	66,258	\$98.15	(6.5 )
August 1 - 6, 2014	230,988	\$98.85	142	\$98.94	230,846	\$98.85	(22.8 )
August 6, 2014 - renewal of authorized share repurchase program of \$500.0 million							29.3
Dollar amount available to be repurchased							500.0
August 7 - 31, 2014	700,076	\$100.52	—	\$—	700,076	\$100.52	(70.4 )
September 1 - 30, 2014	635,806	\$101.17	—	\$—	635,806	\$101.17	(64.3 )
Total	1,635,255	\$100.45	2,269	\$107.83	1,632,986	\$100.44	\$ 365.3

In the future, the Company may adopt additional trading plans or authorize purchase activities under the remaining authorization, which the Board may increase in the future. During the nine months ended September 30, 2014, the Company repurchased approximately 5.0 million common shares in open market transactions at an aggregate cost of \$478.6 million and at an average share price of \$95.79. Subsequent to September 30, 2014 and through the period ended November 3, 2014, the Company repurchased 358 thousand common shares in open market transactions at an aggregate cost of \$35.7 million and at an average share price of \$99.54.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

31.1 Certification of Kevin J. O'Donnell, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

31.2 Certification of Jeffrey D. Kelly, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.

32.1 Certification of Kevin J. O'Donnell, Chief Executive Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Jeffrey D. Kelly, Chief Financial Officer of RenaissanceRe Holdings Ltd., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INSXBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PREXBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

RENAISSANCERE HOLDINGS LTD.

Signature	Title	Date
/s/ Jeffrey D. Kelly Jeffrey D. Kelly	Executive Vice President, Chief Financial Officer	November 5, 2014
/s/ Mark A. Wilcox Mark A. Wilcox	Senior Vice President, Corporate Controller and Chief Accounting Officer	November 5, 2014