RENAISSANCERE HOLDINGS LTD
Form 10-Q
October 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended September 30, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File No. 001-14428

RENAISSANCERE HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**98-014-1974**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda

(Address of principal executive offices)

(441) 295-4513

(Registrant s telephone number, including area code)

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

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 x No ¨

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

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

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

The number of outstanding shares of RenaissanceRe Holdings Ltd. s common shares, par value US $1.00 per share, as of October 25, 2010 was 54,877,458.

Total number of pages in this report: 98

Table of Contents

RenaissanceRe Holdings Ltd.

INDEX TO FORM 10-Q

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Balance Sheets

(in thousands of United States Dollars)

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Fixed maturity investments available for sale, at fair value		
(Amortized cost $305,550 and $3,513,183 at September 30, 2010 and December 31, 2009, respectively)	$ 330,056	$ 3,559,197
Fixed maturity investments trading, at fair value		
(Amortized cost $4,382,667 and $747,983 at September 30, 2010 and December 31, 2009, respectively)	4,490,081	736,595
Short term investments, at fair value	884,787	1,002,306
Other investments, at fair value	792,377	858,026
Investments in other ventures, under equity method	79,976	97,287
Total investments	6,577,277	6,253,411
Cash and cash equivalents	351,775	260,716
Premiums receivable	763,549	589,827
Prepaid reinsurance premiums	178,272	91,852
Reinsurance recoverable	200,919	194,241
Accrued investment income	38,811	31,928
Deferred acquisition costs	80,306	61,870
Receivable for investments sold	158,465	7,431
Other secured assets	17,765	27,730
Other assets	200,320	205,347
Goodwill and other intangibles	72,965	76,688
Total assets	$ 8,640,424	$ 7,801,041
Liabilities, Redeemable Noncontrolling Interest and Shareholders Equity		
Liabilities		
Reserve for claims and claim expenses	$ 1,706,339	$ 1,702,006
Unearned premiums	690,671	446,649
Debt	549,132	300,000
Reinsurance balances payable	364,491	381,548
Payable for investments purchased	304,604	59,236
Other secured liabilities	17,500	27,500
Other liabilities	292,774	256,669
Total liabilities	3,925,511	3,173,608
Commitments and Contingencies		

Redeemable noncontrolling interest - DaVinciRe	741,103	786,647
Shareholders Equity		
Preference shares	650,000	650,000
Common shares	54,875	61,745
Additional paid-in capital	5,840	
Accumulated other comprehensive income	23,774	41,438
Retained earnings	3,239,321	3,087,603
Total shareholders equity	3,973,810	3,840,786
Total liabilities, redeemable noncontrolling interest and shareholders equity	$ 8,640,424	$ 7,801,041

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

Table of Contents

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Statements of Operations

For the three and nine months ended September 30, 2010 and 2009

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

(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenues				
Gross premiums written	$ 126,679	$ 202,413	$ 1,531,650	$ 1,655,886
Net premiums written	$ 103,094	$ 75,098	$ 1,071,639	$ 1,153,304
Decrease (increase) in unearned premiums	206,295	220,915	(157,602)	(175,726)
Net premiums earned	309,389	296,013	914,037	977,578
Net investment income	60,934	106,815	155,722	263,234
Net foreign exchange (losses) gains	(529)	1,556	(12,480)	(12,761)
Equity in (losses) earnings of other ventures	(6,740)	4,331	(1,424)	11,499
Other income (loss)	27,255	13,424	18,430	(5,027)
Net realized and unrealized gains on fixed maturity investments	98,011	16,794	217,715	57,809
Total other-than-temporary impairments		(1,408)	(831)	(25,719)
Portion recognized in other comprehensive income, before taxes		1,062	2	4,518
Net other-than-temporary impairments		(346)	(829)	(21,201)
Total revenues	488,320	438,587	1,291,171	1,271,131
Expenses				
Net claims and claim expenses incurred	125,626	38,567	252,350	191,587
Acquisition expenses	49,977	44,203	134,596	141,302
Operational expenses	49,148	45,498	164,075	132,120
Corporate expenses	5,704	(4,319)	16,087	8,608
Interest expense	6,164	3,748	15,526	12,084
Total expenses	236,619	127,697	582,634	485,701
Income before taxes	251,701	310,890	708,537	785,430
Income tax benefit (expense)	1,148	(3,993)	3,215	(3,793)
Net income	252,849	306,897	711,752	781,637
Net income attributable to redeemable noncontrolling interest - DaVinciRe	(37,524)	(37,694)	(99,989)	(122,821)
Net income attributable to RenaissanceRe	215,325	269,203	611,763	658,816
Dividends on preference shares	(10,575)	(10,575)	(31,725)	(31,725)

Net income available to RenaissanceRe common shareholders	$ 204,750		$	258,628	$	580,038	$	627,091
Net income available to RenaissanceRe common shareholders per common share - basic	$	3.73	$	4.15	$	10.13	$	10.09
Net income available to RenaissanceRe common shareholders per common share - diluted	$	3.70	$	4.12	$	10.04	$	10.03
Dividends per common share	$	0.25	$	0.24	$	0.75	$	0.72

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

4

Table of Contents

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Statements of Changes in Shareholders Equity

For the nine months ended September 30, 2010 and 2009

(in thousands of United States Dollars)

(Unaudited)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Preference shares		
Balance - January 1	$ 650,000	$ 650,000
Repurchase of shares		
Balance - September 30	650,000	650,000
Common shares		
Balance - January 1	61,745	61,503
Repurchase of shares	(7,417)	
Exercise of options and issuance of restricted stock and awards	547	887
Balance - September 30	54,875	62,390
Additional paid-in capital		
Balance - January 1		
Repurchase of shares	(17,979)	
Change in redeemable noncontrolling interest - DaVinciRe	5,009	1,870
Exercise of options and issuance of restricted stock and awards	18,810	23,624
Balance - September 30	5,840	25,494
Accumulated other comprehensive income		
Balance - January 1	41,438	75,387
Cumulative effect of change in accounting principle, net of taxes (1)		(76,198)
Change in net unrealized gains on investments	(17,662)	83,667
Portion of other-than-temporary impairments recognized in other comprehensive income	(2)	(4,518)
Balance - September 30	23,774	78,338
Retained earnings		
Balance - January 1	3,087,603	2,245,853
Cumulative effect of change in accounting principle, net of taxes (1)		76,198
Net income	711,752	781,637
Net income attributable to redeemable noncontrolling interest - DaVinciRe	(99,989)	(122,821)
Repurchase of shares	(385,939)	

Dividends on common shares	(42,381)	(44,894)
Dividends on preference shares	(31,725)	(31,725)
Balance - September 30	3,239,321	2,904,248
Total shareholders equity	$ 3,973,810	$ 3,720,470

(1) Cumulative effect adjustment to opening retained earnings as of April 1, 2009, related to the recognition and presentation of other-than-temporary impairments, as required by FASB ASC Topic *Investments - Debt and Equity Securities.*

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

5

Table of Contents

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three and nine months ended September 30, 2010 and 2009

(in thousands of United States Dollars)

(Unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Comprehensive income				
Net income	$ 252,849	$ 306,897	$ 711,752	$ 781,637
Change in net unrealized gains on fixed maturity investments available for sale	(1,979)	75,777	(21,086)	91,699
Portion of other-than-temporary impairments recognized in other comprehensive income		(1,062)	(2)	(4,518)
Comprehensive income	250,870	381,612	690,664	868,818
Net income attributable to redeemable noncontrolling interest - DaVinciRe	(37,524)	(37,694)	(99,989)	(122,821)
Change in net unrealized gains on investments attributable to redeemable noncontrolling interest - DaVinciRe	3,600	(8,442)	3,424	(8,032)
Comprehensive income attributable to redeemable noncontrolling interest - DaVinciRe	(33,924)	(46,136)	(96,565)	(130,853)
Comprehensive income attributable to RenaissanceRe	$ 216,946	$ 335,476	$ 594,099	$ 737,965
Disclosure regarding net unrealized gains				
Total realized and net unrealized holding gains on fixed maturity investments available for sale and net other-than-temporary impairments	$ 16,731	$ 83,783	$ 58,347	$ 120,275
Net realized gains on fixed maturity investments available for sale	(15,110)	(16,794)	(76,838)	(57,809)
Net other-than-temporary impairments recognized in earnings		346	829	21,201
Change in net unrealized gains on fixed maturity investments available for sale	$ 1,621	$ 67,335	$ (17,662)	$ 83,667

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

Table of Contents

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2010 and 2009

(in thousands of United States dollars)

(Unaudited)

	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flows provided by operating activities		
Net income	$ 711,752	$ 781,637
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	40,026	1,749
Equity in undistributed losses of other ventures	14,956	356
Net realized and unrealized gains on fixed maturity investments	(217,715)	(57,809)
Net other-than-temporary impairments	829	21,201
Net unrealized gains included in net investment income	(21,005)	(71,478)
Net unrealized losses (gains) included in other income (loss)	18,856	(8,745)
Change in:		
Premiums receivable	(173,722)	(260,932)
Prepaid reinsurance premiums	(86,420)	(119,238)
Deferred acquisition costs	(18,436)	(13,710)
Reserve for claims and claim expenses, net	(2,345)	(276,511)
Unearned premiums	244,022	294,964
Reinsurance balances payable	(17,057)	142,546
Other	2,700	18,584
Net cash provided by operating activities	496,441	452,614
Cash flows used in investing activities		
Proceeds from sales and maturities of investments available for sale	3,666,224	7,233,832
Purchases of investments available for sale	(402,524)	(8,687,053)
Proceeds from sales and maturities of investments trading	5,418,604	
Purchases of investments trading	(8,939,654)	
Net sales of short term investments	117,519	1,291,937
Net sales of other investments	86,049	32,897
Net sales of investments in other ventures	13,835	
Net sales of other assets	2,730	69
Net cash used in investing activities	(37,217)	(128,318)
Cash flows used in financing activities		
Dividends paid - RenaissanceRe common shares	(42,381)	(44,894)
Dividends paid - preference shares	(31,725)	(31,725)

RenaissanceRe common share repurchases	(411,335)	
Third party DaVinciRe share transactions	(131,370)	(123,718)
Reverse repurchase agreement		(50,042)
Issuance of 5.75% Senior Notes	249,046	
Net cash used in financing activities	(367,765)	(250,379)
Effect of exchange rate changes on foreign currency cash	(400)	(616)
Net increase in cash and cash equivalents	91,059	73,301
Cash and cash equivalents, beginning of period	260,716	274,692
Cash and cash equivalents, end of period	$ 351,775	$ 347,993

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

RenaissanceRe Holdings Ltd. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

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

NOTE 1. ORGANIZATION AND 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 financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. The preparation of unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The major estimates reflected in the Company s consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverable, including allowances for reinsurance recoverable deemed uncollectible; estimates of written and earned premiums; the fair value of investments and financial instruments, including derivative instruments; premiums and other accounts receivable, including allowances for amounts deemed uncollectible; and estimates relating to the Company s deferred tax asset valuation allowance. This report on Form 10-Q should be read in conjunction with the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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 which was licensed to start writing certain lines of insurance and reinsurance business effective June 1, 2009. RenaissanceRe Corporate Capital (UK) Limited (RenaissanceRe CCL), a wholly owned subsidiary of the Company, is Syndicate 1458 s sole corporate member and RenaissanceRe Syndicate Management Ltd. (RSML), a wholly owned subsidiary of the Company from November 2, 2009, is the managing agent for Syndicate 1458.

The Company s Insurance operations include direct insurance and quota share reinsurance written through the operating subsidiaries of RenRe Insurance Holdings Ltd. (RenRe Insurance). These operating subsidiaries principally include Stonington Insurance Company (Stonington), which writes business in the U.S. on an admitted basis, and Glencoe Insurance Ltd. (Glencoe) and Lantana

Insurance Ltd. (Lantana), which write business in the U.S. on an excess and surplus lines basis, and also provide reinsurance coverage, principally through quota share contracts, which are analyzed on an individual risk basis. The Insurance operations also include the results of Agro National Inc. (Agro National), a managing general underwriter of crop insurance.

The Company, through Renaissance Trading Ltd. (Renaissance Trading) and RenRe Energy Advisors Ltd. (REAL), provides certain derivative-based risk management products primarily to its clients to address weather and energy risk. The Company also engages in hedging and trading activities related to those transactions and provides fee-based consulting services.

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.

NOTE 2. CEDED 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, 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 tables set forth the effect of reinsurance and retrocessional activity on premiums written and earned and on net claims and claim expenses incurred for the three and nine months ended September 30, 2010 and 2009:

Three months ended September 30, **(in thousands of U.S. dollars)**	**2010**	**2009**
Premiums written		
Direct	$ 16,622	$ 74,152
Assumed	110,057	128,261
Ceded	(23,585)	(127,315)
Net premiums written	$ 103,094	$ 75,098
Premiums earned		
Direct	$ 136,215	$ 143,690
Assumed	294,785	322,604
Ceded	(121,611)	(170,281)
Net premiums earned	$ 309,389	$ 296,013
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 153,970	$ 58,727
Claims and claim expenses recovered	(28,344)	(20,160)
Net claims and claim expenses incurred	$ 125,626	$ 38,567

Table of Contents

Nine months ended September 30, (in thousands of U.S. dollars)	**2010**	**2009**
Premiums written		
Direct	$ 407,344	$ 419,984
Assumed	1,124,306	1,235,902
Ceded	(460,011)	(502,582)
Net premiums written	$ 1,071,639	$ 1,153,304
Premiums earned		
Direct	$ 376,914	$ 396,117
Assumed	910,716	964,805
Ceded	(373,593)	(383,344)
Net premiums earned	$ 914,037	$ 977,578
Claims and claim expenses		
Gross claims and claim expenses incurred	$ 345,801	$ 276,808
Claims and claim expenses recovered	(93,451)	(85,221)
Net claims and claim expenses incurred	$ 252,350	$ 191,587

NOTE 3. EARNINGS PER SHARE

The Company accounts for its weighted average shares in accordance with FASB ASC Topic *Earnings per Share*. Basic earnings per common share is based on weighted average common shares and excludes any dilutive effects of stock options and restricted stock. Diluted earnings per common share assumes the exercise of all dilutive stock options and restricted stock grants.

Table of Contents

The following tables set forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2010 and 2009:

Three months ended September 30, **(in thousands of U.S. dollars, except per share data)**	**2010**	**2009**
Numerator:		
Net income available to RenaissanceRe common shareholders	$ 204,750	$ 258,628
Amount allocated to participating common shareholders (1)	(5,147)	(6,067)
	$ 199,603	$ 252,561
Denominator (in thousands):		
Denominator for basic income per RenaissanceRe common share -		
Weighted average common shares	53,467	60,898
Per common share equivalents of employee stock options and restricted shares	498	469
Denominator for diluted income per RenaissanceRe common share -		
Adjusted weighted average common shares and assumed conversions	53,965	61,367
Basic income per RenaissanceRe common share	$ 3.73	$ 4.15
Diluted income per RenaissanceRe common share	$ 3.70	$ 4.12

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company s 2001 Stock Incentive Plan, Non-Employee Director Stock Incentive Plan and for the three months ended September 30, 2010, the 2010 Performance-Based Equity Incentive Plan.

Nine months ended September 30, **(in thousands of U.S. dollars, except per share data)**	**2010**	**2009**
Numerator:		
Net income available to RenaissanceRe common shareholders	$ 580,038	$ 627,091
Amount allocated to participating common shareholders (1)	(14,639)	(13,310)
	$ 565,399	$ 613,781
Denominator (in thousands):		
Denominator for basic income per RenaissanceRe common share -		
Weighted average common shares	55,804	60,832
Per common share equivalents of employee stock options and restricted shares	495	394
Denominator for diluted income per RenaissanceRe common share -		
Adjusted weighted average common shares and assumed conversions	56,299	61,226
Basic income per RenaissanceRe common share	$ 10.13	$ 10.09
Diluted income per RenaissanceRe common share	$ 10.04	$ 10.03

(1) Represents earnings attributable to holders of unvested restricted shares issued under the Company s 2001 Stock Incentive Plan, Non-Employee Director Stock Incentive Plan and for the nine months ended September 30, 2010, the 2010 Performance-Based Equity Incentive Plan.

NOTE 4. DIVIDENDS AND COMMON SHARE REPURCHASES

The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of $0.25 per common share to shareholders of record on each of March 15, 2010, June 15, 2010 and September 15, 2010.

On August 11, 2010, the Board of Directors approved an increase in the Company s authorized share repurchase program to an aggregate amount of $500.0 million, which remains fully available for share repurchases. Unless terminated earlier by resolution of the Company s Board of Directors, the program will expire when the Company has repurchased the full value of the shares authorized. The Company repurchased 7.4 million shares in open market transactions during the six months ended June 30, 2010, at an aggregate cost of $411.3 million and at an average share price of $55.44. The Company did not repurchase any shares under its authorized share repurchase program during the three months ended September 30, 2010. Future repurchases of common shares will depend on, among other matters, the market price of the common shares and the capital requirements of the Company. See Part II, Item 2 Unregistered Sales of Equity Securities and Use of Proceeds for additional information.

NOTE 5. SEGMENT REPORTING

The Company has two reportable segments: Reinsurance and Insurance.

The Reinsurance segment consists of: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 3) Lloyd s, which includes reinsurance and insurance business written through Syndicate 1458; and 4) certain other activities of the Company s ventures unit as described herein. The Reinsurance segment is managed by the Global Chief Underwriting Officer, who leads a team of underwriters, risk modelers and other industry professionals, who have access to the Company s proprietary risk management, underwriting and modeling resources and tools.

The Insurance segment, formerly known as the Individual Risk segment, includes underwriting that involves understanding the characteristics of the original underlying insurance policy. The Company s Insurance segment is also managed by the Global Chief Underwriting Officer. The Insurance segment currently provides insurance written on both an admitted basis and an excess and surplus lines basis, and also provides some reinsurance which is written on a quota share basis.

The Company s financial results relating to the operating subsidiaries managed by the ventures unit include the financial results of Renaissance Trading and are included in the Other category of the Company s segment results. Also included in the Other category of the Company s segment results are the Company s investments in other ventures, including Top Layer Re, Tower Hill Holdings Inc. and Tower Hill Insurance Group, LLC (collectively the Tower Hill Companies), and in respect of the Company s ownership of a warrant to purchase 2.5 million common shares of Platinum Underwriters Holdings Ltd. (Platinum).

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

Table of Contents

A summary of the significant components of the Company s revenues and expenses for the three and nine months ended September 30, 2010 and 2009 is as follows:

Three months ended September 30, 2010 (in thousands of U.S. dollars, except ratios)	**Reinsurance**	**Insurance**	**Eliminations (1)**	**Other**	**Total**
Gross premiums written	$ 119,339	$ 15,728	$ (8,388)	$	$ 126,679
Net premiums written	$ 92,450	$ 10,644			$ 103,094
Net premiums earned	$ 219,036	$ 90,353			$ 309,389
Net claims and claim expenses incurred	80,167	45,459			125,626
Acquisition expenses	25,815	24,162			49,977
Operational expenses	35,883	13,265			49,148
Underwriting income	$ 77,171	$ 7,467			84,638
Net investment income				60,934	60,934
Equity in losses of other ventures				(6,740)	(6,740)
Other income				27,255	27,255
Interest and preference share dividends				(16,739)	(16,739)
Redeemable noncontrolling interest - DaVinciRe				(37,524)	(37,524)
Other items, net				(5,085)	(5,085)
Net realized and unrealized gains on fixed maturity investments				98,011	98,011
Net other-than-temporary impairments					
Net income available to RenaissanceRe common shareholders				$ 120,112	$ 204,750
Net claims and claim expenses incurred - current accident year	$ 114,046	$ 48,582			$ 162,628
Net claims and claim expenses incurred - prior accident years	(33,879)	(3,123)			(37,002)
Net claims and claim expenses incurred - total	$ 80,167	$ 45,459			$ 125,626
Net claims and claim expense ratio - current accident year	52.1%	53.8%			52.6%
Net claims and claim expense ratio - prior accident years	(15.5%)	(3.5%)			(12.0%)
Net claims and claim expense ratio - calendar year	36.6%	50.3%			40.6%
Underwriting expense ratio	28.2%	41.4%			32.0%
Combined ratio	64.8%	91.7%			72.6%

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

Three months ended September 30, 2009 (in thousands of U.S. dollars, except ratios)	**Reinsurance**	**Insurance**	**Eliminations (1)**	**Other**	**Total**

Gross premiums written	$ 132,487	$ 83,349	$ (13,423)	$	$ 202,413
Net premiums written	$ 43,202	$ 31,896			$ 75,098
Net premiums earned	$ 202,260	$ 93,753			$ 296,013
Net claims and claim expenses incurred	(15,914)	54,481			38,567
Acquisition expenses	17,164	27,039			44,203
Operational expenses	33,961	11,537			45,498
Underwriting income	$ 167,049	$ 696			167,745
Net investment income				106,815	106,815
Equity in earnings of other ventures				4,331	4,331
Other income				13,424	13,424
Interest and preference share dividends				(14,323)	(14,323)
Redeemable noncontrolling interest - DaVinciRe				(37,694)	(37,694)
Other items, net				1,882	1,882
Net realized gains on investments				16,794	16,794
Net other-than-temporary impairments				(346)	(346)
Net income available to RenaissanceRe common shareholders				$ 90,883	$ 258,628
Net claims and claim expenses incurred - current accident year	$ 46,755	$ 62,256			$ 109,011
Net claims and claim expenses incurred - prior accident years	(62,669)	(7,775)			(70,444)
Net claims and claim expenses incurred - total	$ (15,914)	$ 54,481			$ 38,567
Net claims and claim expense ratio - current accident year	23.1%	66.4%			36.8%
Net claims and claim expense ratio - prior accident years	(31.0%)	(8.3%)			(23.8%)
Net claims and claim expense ratio - calendar year	(7.9%)	58.1%			13.0%
Underwriting expense ratio	25.3%	41.2%			30.3%
Combined ratio	17.4%	99.3%			43.3%

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

Table of Contents

Nine months ended September 30, 2010 (in thousands of U.S. dollars, except ratios)	**Reinsurance**	**Insurance**	**Eliminations (1)**	**Other**	**Total**
Gross premiums written	$ 1,163,089	$ 398,832	$ (30,271)	$	$ 1,531,650
Net premiums written	$ 846,089	$ 225,550			$ 1,071,639
Net premiums earned	$ 683,929	$ 230,108			$ 914,037
Net claims and claim expenses incurred	159,121	93,229			252,350
Acquisition expenses	70,746	63,850			134,596
Operational expenses	110,856	53,219			164,075
Underwriting income	$ 343,206	$ 19,810			363,016
Net investment income				155,722	155,722
Equity in losses of other ventures				(1,424)	(1,424)
Other income				18,430	18,430
Interest and preference share dividends				(47,251)	(47,251)
Redeemable noncontrolling interest - DaVinciRe				(99,989)	(99,989)
Other items, net				(25,352)	(25,352)
Net realized and unrealized gains on fixed maturity investments				217,715	217,715
Net other-than-temporary impairments				(829)	(829)
Net income available to RenaissanceRe common shareholders				$ 217,022	$ 580,038
Net claims and claim expenses incurred - current accident year	$ 379,605	$ 157,861			$ 537,466
Net claims and claim expenses incurred - prior accident years	(220,484)	(64,632)			(285,116)
Net claims and claim expenses incurred - total	$ 159,121	$ 93,229			$ 252,350
Net claims and claim expense ratio - current accident year	55.5%	68.6%			58.8%
Net claims and claim expense ratio - prior accident years	(32.2%)	(28.1%)			(31.2%)
Net claims and claim expense ratio - calendar year	23.3%	40.5%			27.6%
Underwriting expense ratio	26.5%	50.9%			32.7%
Combined ratio	49.8%	91.4%			60.3%

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

Nine months ended September 30, 2009 (in thousands of U.S. dollars, except ratios)	**Reinsurance**	**Insurance**	**Eliminations (1)**	**Other**	**Total**
Gross premiums written	$ 1,221,035	$ 447,229	$ (12,378)	$	$ 1,655,886
Net premiums written	$ 852,970	$ 300,334			$ 1,153,304

Net premiums earned	$ 656,143	$ 321,435		$ 977,578
Net claims and claim expenses incurred	(40,132)	231,719		191,587
Acquisition expenses	57,321	83,981		141,302
Operational expenses	98,265	33,855		132,120
Underwriting income (loss)	$ 540,689	$ (28,120)		512,569
Net investment income			263,234	263,234
Equity in earnings of other ventures			11,499	11,499
Other loss			(5,027)	(5,027)
Interest and preference share dividends			(43,809)	(43,809)
Redeemable noncontrolling interest - DaVinciRe			(122,821)	(122,821)
Other items, net			(25,162)	(25,162)
Net realized gains on investments			57,809	57,809
Net other-than-temporary impairments			(21,201)	(21,201)
Net income available to RenaissanceRe common shareholders			$ 114,522	$ 627,091
Net claims and claim expenses incurred - current accident year	$ 143,636	$ 217,350		$ 360,986
Net claims and claim expenses incurred - prior accident years	(183,768)	14,369		(169,399)
Net claims and claim expenses incurred - total	$ (40,132)	$ 231,719		$ 191,587
Net claims and claim expense ratio - current accident year	21.9%	67.6%		36.9%
Net claims and claim expense ratio - prior accident years	(28.0%)	4.5%		(17.3%)
Net claims and claim expense ratio - calendar year	(6.1%)	72.1%		19.6%
Underwriting expense ratio	23.7%	36.6%		28.0%
Combined ratio	17.6%	108.7%		47.6%

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

Table of Contents

NOTE 6. INVESTMENTS

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 at September 30, 2010 and December 31, 2009:

At September 30, 2010 (in thousands of U.S. dollars)	Amortized Cost	Included in Accumulated Other Comprehensive Income: Gross Unrealized Gains	Included in Accumulated Other Comprehensive Income: Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
U.S. treasuries	$ 6,306	$ 584	$	$ 6,890	$
Agencies	501			501	
Non-U.S. government (Sovereign debt)	26,864	4,379	(121)	31,122	
FDIC guaranteed corporate					
Non-U.S. government-backed corporate	1,335	90		1,425	
Corporate	64,155	5,956	(424)	69,687	(2,087)
Agency mortgage-backed	26,629	1,439	(36)	28,032	
Non-agency mortgage-backed	26,389	3,421	(34)	29,776	(2,137)
Commercial mortgage-backed	107,946	8,097	(124)	115,919	
Asset-backed	45,425	1,360	(81)	46,704	(598)
Total	$ 305,550	$ 25,326	$ (820)	$ 330,056	$ (4,822)

(1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income since the adoption of guidance related to the recognition and presentation of other-than-temporary impairments under FASB ASC Topic *Financial Instruments - Debt and Equity Securities,* during the second quarter of 2009, adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

At December 31, 2009 (in thousands of U.S. dollars)	Amortized Cost	Included in Accumulated Other Comprehensive Income: Gross Unrealized Gains	Included in Accumulated Other Comprehensive Income: Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
U.S. treasuries	$ 599,930	$ 691	$ (2,689)	$ 597,932	$
Agencies	164,071	1,627	(121)	165,577	
Non-U.S. government (Sovereign debt)	171,137	8,706	(557)	179,286	(88)
FDIC guaranteed corporate	850,193	6,175	(380)	855,988	
Non-U.S. government-backed corporate	248,888	1,557	(1,699)	248,746	
Corporate	811,304	32,128	(4,556)	838,876	(4,659)
Agency mortgage-backed	289,433	4,521	(1,526)	292,428	
Non-agency mortgage-backed	35,071	1,888	(576)	36,383	(2,949)
Commercial mortgage-backed	253,713	2,183	(4,424)	251,472	
Asset-backed	89,443	3,598	(532)	92,509	(1,531)
	$ 3,513,183	$ 63,074	$ (17,060)	$ 3,559,197	$ (9,227)

Total fixed maturity investments available for sale	

(1) Represents the non-credit component of other-than-temporary impairments recognized in accumulated other comprehensive income since the adoption of guidance related to the recognition and presentation of other-than-temporary impairments under FASB ASC Topic *Financial Instruments - Debt and Equity Securities,* during the second quarter of 2009, adjusted for subsequent sales of securities. It does not include the change in fair value subsequent to the impairment measurement date.

15

Table of Contents

Fixed Maturity Investments Trading

During the fourth quarter of 2009, the Company started designating, upon acquisition, certain fixed maturity investments as trading, rather than as available for sale. The Company made this change, due in part to the new authoritative other-than-temporary impairment GAAP guidance that became effective on April 1, 2009, which has resulted in additional accounting judgments required to be made on a quarterly basis, combined with an effort to report the Company s fixed maturity investment portfolio results in the Company s consolidated statements of operations in a manner consistent with the way in which the Company manages the portfolio, which is on a total investment return basis. The Company currently expects to continue to designate, in future periods, upon acquisition, certain fixed maturity investments as trading, rather than as available for sale, and, as a result, the Company currently expects its fixed maturity investments available for sale balance to decrease and its fixed maturity trading balance to increase over time, resulting in a reduction in other-than-temporary accounting judgments the Company makes. This change will over time result in additional volatility in the Company s net income (loss) in future periods as net unrealized gains and losses on these fixed maturity investments will be recorded currently in net income (loss), rather than as a component of accumulated other comprehensive income (loss) in shareholders equity.

The following table summarizes the fair value of fixed maturity investments trading at September 30, 2010 and December 31, 2009:

(in thousands of U.S. dollars)	September 30, 2010	December 31, 2009
U.S. treasuries	$ 1,271,179	$ 320,225
Agencies	229,455	
Non-U.S. government (Sovereign debt)	122,573	18,773
FDIC guaranteed corporate	408,682	
Non-U.S. government-backed corporate	529,584	
Corporate	1,504,775	296,628
Agency mortgage-backed	308,469	100,969
Non-agency mortgage-backed securities	6,178	
Commercial mortgage-backed securities	109,186	
Total fixed maturity investments trading, at fair value	$ 4,490,081	$ 736,595

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.

	Available for Sale		Trading		Total Fixed Maturity Investments	
At September 30, 2010 (in thousands of U.S. dollars)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$ 3,788	$ 3,834	$ 37,712	$ 37,788	$ 41,500	$ 41,622
Due after one through five years	48,867	52,891	2,871,503	2,927,906	2,920,370	2,980,797
Due after five through ten years	28,725	31,593	913,793	954,680	942,518	986,273
Due after ten years	17,781	21,307	138,496	145,874	156,277	167,181
Mortgage-backed	160,964	173,727	421,163	423,833	582,127	597,560
Asset-backed	45,425	46,704			45,425	46,704
Total	$ 305,550	$ 330,056	$ 4,382,667	$ 4,490,081	$ 4,688,217	$ 4,820,137

Table of Contents

Net Investment Income

The components of net investment income are as follows:

Three months ended September 30, **(in thousands of U.S. dollars)**	**2010**	**2009**
Fixed maturity investments	$ 34,838	$ 44,127
Short term investments	2,469	2,285
Other investments		
Hedge funds and private equity investments	7,491	15,510
Other	18,979	47,748
Cash and cash equivalents	73	102
	63,850	109,772
Investment expenses	(2,916)	(2,957)
Net investment income	$ 60,934	$ 106,815

Nine months ended September 30, **(in thousands of U.S. dollars)**	**2010**	**2009**
Fixed maturity investments	$ 91,223	$ 123,261
Short term investments	7,211	8,097
Other investments		
Hedge funds and private equity investments	33,215	8,096
Other	32,013	131,309
Cash and cash equivalents	204	632
	163,866	271,395
Investment expenses	(8,144)	(8,161)
Net investment income	$ 155,722	$ 263,234

Net realized gains on the sale of investments are determined on the basis of the first in, first out cost method and for fixed maturity investments available for sale include adjustments to the cost basis of investments for declines in value that are considered to be other-than-temporary. During the fourth quarter of 2009, the Company started designating upon acquisition certain fixed maturity investments as trading. As a result, unrealized gains (losses) on fixed maturity investments designated as trading are recorded in net realized and unrealized gains (losses) on the Company s consolidated statement of operations. Unrealized gains (losses) on the Company s fixed maturity investments available for sale are recorded in accumulated other comprehensive income on the Company s consolidated balance sheet.

The Company s net realized and unrealized gains on fixed maturity investments and net other-than-temporary impairments are as follows:

Three months ended September 30, (in thousands of U.S. dollars)	**2010**	**2009**
Gross realized gains	$ 35,615	$ 26,734
Gross realized losses	(748)	(9,940)
Net realized gains on fixed maturity investments	34,867	16,794
Net unrealized gains on fixed maturity investments, trading	63,144	
Net realized and unrealized gains on fixed maturity investments	$ 98,011	$ 16,794
Total other-than-temporary impairments	$	$ (1,408)
Portion recognized in other comprehensive income, before taxes		1,062
Net other-than-temporary impairments	$	$ (346)

Nine months ended September 30, (in thousands of U.S. dollars)	**2010**	**2009**
Gross realized gains	$ 113,560	$ 91,370
Gross realized losses	(11,880)	(33,561)
Net realized gains on fixed maturity investments	101,680	57,809
Net unrealized gains on fixed maturity investments, trading	116,035	
Net realized and unrealized gains on fixed maturity investments	$ 217,715	$ 57,809
Total other-than-temporary impairments	$ (831)	$ (25,719)
Portion recognized in other comprehensive income, before taxes	2	4,518
Net other-than-temporary impairments	$ (829)	$ (21,201)

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, 2010	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
(in thousands of U.S. dollars)						
Non-U.S. government (Sovereign debt)	$ 2,108	$ (115)	$ 114	$ (6)	$ 2,222	$ (121)
Corporate	2,454	(271)	1,041	(153)	3,495	(424)
Agency mortgage-backed	499	(36)			499	(36)
Non-agency mortgage-backed			1,717	(34)	1,717	(34)
Commercial mortgage-backed	6,761	(124)			6,761	(124)
Asset-backed	5,944	(46)	3,177	(35)	9,121	(81)
Total	$ 17,766	$ (592)	$ 6,049	$ (228)	$ 23,815	$ (820)

	Less than 12 Months		12 Months or Greater		Total	
At December 31, 2009	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
(in thousands of U.S. dollars)						
U.S. treasuries	$ 551,203	$ (2,689)	$	$	$ 551,203	$ (2,689)
Agencies	75,537	(121)			75,537	(121)
Non-U.S. government (Sovereign debt)	39,119	(540)	209	(17)	39,328	(557)
FDIC guaranteed corporate	156,989	(380)			156,989	(380)
Non-U.S. government-backed corporate	106,971	(1,699)			106,971	(1,699)
Corporate	253,828	(4,069)	7,893	(487)	261,721	(4,556)
Agency mortgage-backed	156,288	(1,348)	3,818	(178)	160,106	(1,526)
Non-agency mortgage-backed	2,558	(54)	9,120	(522)	11,678	(576)
Commercial mortgage-backed	77,796	(1,089)	32,184	(3,335)	109,980	(4,424)
Asset-backed	4,605	(18)	14,407	(514)	19,012	(532)
Total	$ 1,424,894	$ (12,007)	$ 67,631	$ (5,053)	$ 1,492,525	$ (17,060)

At September 30, 2010, the Company held 23 fixed maturity investments available for sale securities that were in an unrealized loss position for twelve months or greater and 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 investments for the nine months ended September 30, 2010 and 2009, respectively, in order to determine whether declines in the fair value below the amortized cost basis of its fixed maturity investments available for sale were considered other-than-temporary in accordance with the applicable guidance, as discussed below.

At September 30, 2010, $1.4 billion 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 principal letter of credit facility. Of this amount, $61.8 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.

Other-Than-Temporary Impairment Process Prior to April 1, 2009

Under the pre-existing guidance, which was in effect for the three months ended March 31, 2009, the Company assessed, on a quarterly basis, whether declines in the fair value of its fixed maturity investments available for sale represented impairments that were other-than-temporary based on several factors. The factors the Company considered in the assessment of a security included: (i) the time period during which there had been a significant decline below cost; (ii) the extent of the decline below cost; (iii) the Company s intent and ability to hold the security; (iv) the potential for the security to recover in value; (v) an analysis of the financial condition of the issuer; and (vi) an analysis of the collateral structure and credit support of the security, if applicable. Where the Company determined that there was an other-than-temporary decline in the fair value of the security, the cost of the security was written down to its fair value and the unrealized loss at the time of determination was reflected in the Company s consolidated statements of operations.

The majority of the Company s fixed maturity investments available for sale are managed by external investment managers in accordance with specific investment mandates and guidelines. The investment managers are directed to manage the Company s investments to maximize total investment return in accordance with these investment mandates and guidelines. While the Company has adequate capital and liquidity to support its operations and to hold its fixed maturity investments available for sale which were in an unrealized loss position until they recover in value, the Company has not prohibited or restricted its investment managers from selling these investments and its investment managers actively traded the Company s investments. The Company was therefore unable to represent or certify that it had the intent or ability to hold these investments until they recovered in value. As a consequence, under the pre-existing guidance, the Company impaired essentially all of its fixed maturity investments available for sale that were in an unrealized loss position at each quarterly reporting date. For the three months ended March 31, 2009, the Company recorded other-than-temporary impairments of $19.0 million. As of March 31, 2009, the Company had essentially no fixed maturity investments available for sale in an unrealized loss position.

Other-Than-Temporary Impairment Process Effective April 1, 2009

Pursuant to the guidance effective April 1, 2009, the Company revised its quarterly process for assessing whether declines in the fair value of its fixed maturity investments available for sale represent impairments that are other-than-temporary. The process now 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) assessing 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 are less than the amortized cost basis of the security.

In assessing the Company s intent to sell securities, the Company s procedures may include actions such as discussing planned sales with its third party investment managers, reviewing sales that have occurred shortly after the balance sheet date, and consideration of other qualitative factors that may be indicative of the Company s intent to sell or hold the relevant securities. For the nine months ended September 30, 2010, the Company recognized $nil, of other-than-temporary impairments due to the Company s intent to sell these securities as of September 30, 2010.

In assessing whether it is more likely than not that the Company will be required to sell a security before its anticipated recovery, the Company considers various factors including its future cash flow forecasts and requirements, legal and regulatory requirements, the level of its cash, cash equivalents, short term investments, fixed maturity investments trading and fixed maturity investments available for sale in an unrealized gain position, and other relevant factors. For the nine months ended September 30, 2010, the Company recognized $nil of other-than-temporary impairments due to required sales.

In evaluating credit losses, the Company considers a variety of factors in the assessment of a security including: (i) the time period during which there has been a significant decline below cost; (ii) the extent of the decline below cost and par; (iii) the potential for the security to recover in value; (iv) an analysis of the financial condition of the issuer; (v) the rating of the issuer; (vi) the implied rating of the issuer based on an analysis of option adjusted spreads; (vii) the absolute level of the option adjusted spread for the issuer; and (viii) an analysis of the collateral structure and credit support of the security, if applicable.

Once the Company determines that it is possible that a credit loss may exist for a security, the Company performs a detailed review of the cash flows expected to be collected from the issuer. The Company estimates expected cash flows by applying estimated default probabilities and recovery rates to the contractual cash flows of the issuer, with such default and recovery rates reflecting long-term historical averages adjusted to reflect current credit, economic and market conditions, giving due consideration to collateral and credit support, if applicable, and discounting the expected cash flows at the purchase yield on the security. In instances in which a determination is made that an impairment exists but the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into: (i) the amount of the total other-than-temporary impairment related to the credit loss; and (ii) the amount of the total other-than-temporary impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income. For the three and nine months ended September 30, 2010, the Company recognized $nil and $0.8 million, respectively, of credit related other-than-temporary impairments which were recognized in earnings and $nil and $2 thousand, respectively, related to other factors.

Table of Contents

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 for the three and nine months ended September 30, 2010:

Three months ended September 30, 2010 **(in thousands of U.S. dollars)**	
Balance - July 1	$ 3,598
Additions:	
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	
Reductions:	
Securities sold during the period	
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security	
Increases in cash flows expected to be collected that are recognized over the remaining life of the security	
Balance - September 30	$ 3,598

Nine months ended September 30, 2010 **(in thousands of U.S. dollars)**	
Balance - January 1	$ 9,987
Additions:	
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	70
Reductions:	
Securities sold during the period	(6,459)
Securities for which the amount previously recognized in other comprehensive income was recognized in earnings, because the Company intends to sell the security or is more likely than not the Company will be required to sell the security	
Increases in cash flows expected to be collected that are recognized over the remaining life of the security	
Balance - September 30	$ 3,598

Table of Contents

NOTE 7. 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 financial statements, and is a critical accounting policy and estimate for the Company. 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 unobservable inputs (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 on unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management s best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

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

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.

There have been no material changes in the Company s valuation techniques in the period represented by these consolidated financial statements.

Table of Contents

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 sheet:

At September 30, 2010 (in thousands of U.S. dollars)	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fixed maturity investments				
U.S. treasuries	$ 1,278,069	$ 1,278,069	$	$
Agencies	229,956		229,956	
Non-U.S. government (Sovereign debt)	153,695		153,695	
FDIC guaranteed corporate	408,682		408,682	
Non-U.S. government-backed corporate	531,009		531,009	
Corporate	1,574,462		1,574,462	
Agency mortgage-backed	336,501		336,501	
Non-agency mortgage-backed	35,954		35,954	
Commercial mortgage-backed	225,105		225,105	
Asset-backed	46,704		46,704	
Total fixed maturity investments	4,820,137	1,278,069	3,542,068	
Short term investments	884,787		884,787	
Other investments				
Private equity partnerships	310,296			310,296
Senior secured bank loan funds	168,309		154,422	13,887
Catastrophe bonds	159,752		159,599	153
Non-U.S. fixed income funds	78,848		78,848	
Hedge funds	44,043		44,043	
Miscellaneous other investments	31,129		21,600	9,529
Total other investments	792,377		458,512	333,865
Other secured assets	17,765		17,765	
Other assets and (liabilities)				
Platinum warrants	43,858		43,858	
Weather and energy risk management operations	(3,740)	1,695		(5,435)
Assumed and ceded (re)insurance contracts	(6,132)			(6,132)
Derivatives	(10,743)	(10,379)	(364)	
Other	12,615	(3,010)		15,625
Total other assets and (liabilities)	35,858	(11,694)	43,494	4,058
	$ 6,550,924	$ 1,266,375	$ 4,946,626	$ 337,923

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, FDIC guaranteed corporate, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed fixed maturity investments.

The Company s fixed maturity investments portfolios are priced using broker quotations and pricing services, such as index providers and pricing vendors. 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 prices. Prices are generally verified using third party data. 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 externally obtained information. The techniques generally used to determine the fair value of our fixed maturity investments are detailed below by asset class.

U.S. treasuries

At September 30, 2010, the Company s U.S. treasuries fixed maturity investments had a weighted average yiel