RENAISSANCERE HOLDINGS LTD
Form 10-Q
August 02, 2012

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 June 30, 2012
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 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)

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 July 30, 2012 was 50,537,049.

RENAISSANCERE HOLDINGS LTD.
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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATMENTS
RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Balance Sheets
(in thousands of United States Dollars, except per share amounts)

Assets	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
Fixed maturity investments trading, at fair value (Amortized cost $4,890,251 and $4,265,929 at June 30, 2012 and December 31, 2011, respectively)	$4,948,955	$4,291,465
Fixed maturity investments available for sale, at fair value (Amortized cost $96,647 and $130,669 at June 30, 2012 and December 31, 2011, respectively)	108,102	142,052
Short term investments, at fair value	654,912	905,477
Equity investments trading, at fair value	55,381	50,560
Other investments, at fair value	743,568	748,984
Investments in other ventures, under equity method	79,692	70,714
Total investments	6,590,610	6,209,252
Cash and cash equivalents	264,232	216,984
Premiums receivable	971,546	471,878
Prepaid reinsurance premiums	278,242	58,522
Reinsurance recoverable	198,777	404,029
Accrued investment income	35,938	33,523
Deferred acquisition costs	106,027	43,721
Receivable for investments sold	311,658	117,117
Other assets	193,798	180,992
Goodwill and other intangible assets	8,690	8,894
Total assets	$8,959,518	$7,744,912
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	$1,801,247	$1,992,354
Unearned premiums	964,499	347,655
Debt	354,293	353,620
Reinsurance balances payable	396,669	256,883
Payable for investments purchased	519,619	303,264
Other liabilities	173,433	211,369
Liabilities of discontinued operations held for sale	1,959	13,507
Total liabilities	4,211,719	3,478,652
Commitments and Contingencies		
Redeemable noncontrolling interest – DaVinciRe	900,878	657,727
Shareholders' Equity		
Preference Shares: $1.00 par value – 22,000,000 shares issued and outstanding at June 30, 2012 (December 31, 2011 – 22,000,000)	550,000	550,000
Common shares: $1.00 par value – 50,608,641 shares issued and outstanding at June 30, 2012 (December 31, 2011 – 51,542,955)	50,609	51,543
Accumulated other comprehensive income	12,531	11,760
Retained earnings	3,229,870	2,991,890

Total shareholders’ equity attributable to RenaissanceRe	3,843,010	3,605,193
Noncontrolling interest	3,911	3,340
Total shareholders’ equity	3,846,921	3,608,533
Total liabilities, noncontrolling interests and shareholders’ equity	$8,959,518	$7,744,912

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Operations
For the three and six months ended June 30, 2012 and 2011
(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues				
Gross premiums written	$667,336	$641,563	$1,331,487	$1,252,068
Net premiums written	$427,630	$427,995	$920,205	$880,570
Increase in unearned premiums	(183,214)	(210,820)	(397,124)	(357,854)
Net premiums earned	244,416	217,175	523,081	522,716
Net investment income	14,743	33,328	81,714	93,609
Net foreign exchange gains (losses)	2,410	(4,521)	950	(3,861)
Equity in earnings (losses) of other ventures	6,846	5,128	12,316	(18,625)
Other income (loss)	11,289	(5,167)	(27,805)	44,978
Net realized and unrealized gains on investments	31,003	34,979	77,116	29,765
Total other-than-temporary impairments	(234)	—	(395)	—
Portion recognized in other comprehensive income, before taxes	25	—	52	—
Net other-than-temporary impairments	(209)	—	(343)	—
Total revenues	310,498	280,922	667,029	668,582
Expenses				
Net claims and claim expenses incurred	49,551	151,261	65,103	779,798
Acquisition expenses	25,608	13,883	49,719	46,218
Operational expenses	41,407	42,299	83,790	84,129
Corporate expenses	4,067	4,011	8,878	6,075
Interest expense	5,716	5,730	11,434	11,925
Total expenses	126,349	217,184	218,924	928,145
Income (loss) from continuing operations before taxes	184,149	63,738	448,105	(259,563)
Income tax (expense) benefit	(898)	1,773	(861)	1,825
Income (loss) from continuing operations	183,251	65,511	447,244	(257,738)
Income (loss) from discontinued operations	1,393	(10,094)	1,220	(11,620)
Net income (loss)	184,644	55,417	448,464	(269,358)
Net (income) loss attributable to noncontrolling interests	(33,624)	(21,903)	(87,265)	63,589
Net income (loss) attributable to RenaissanceRe	151,020	33,514	361,199	(205,769)
Dividends on preference shares	(8,750)	(8,750)	(17,500)	(17,500)
Net income (loss) available (attributable) to RenaissanceRe common shareholders	$142,270	$24,764	$343,699	$(223,269)
Income (loss) from continuing operations available (attributable) to RenaissanceRe common shareholders per common share – basic	$2.75	$0.68	$6.70	$(4.16)
Income (loss) from discontinued operations available (attributable) to RenaissanceRe common shareholders per common share – basic	0.03	(0.20)	0.02	(0.23)
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share – basic	$2.78	$0.48	$6.72	$(4.39)

Income (loss) from continuing operations available (attributable) to RenaissanceRe common shareholders per common share – diluted	$2.72	$0.68	$6.61	$(4.16)
Income (loss) from discontinued operations available (attributable) to RenaissanceRe common shareholders per common share – diluted	0.03	(0.20)	0.02	(0.23)
Net income (loss) available (attributable) to RenaissanceRe common shareholders per common share – diluted	$2.75	$0.48	$6.63	$(4.39)
Dividends per common share	$0.27	$0.26	$0.54	$0.52

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
For the three and six months ended June 30, 2012 and 2011
(in thousands of United States Dollars) (Unaudited)

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Comprehensive income (loss)				
Net income (loss)	$184,644	$55,417	$448,464	$(269,358)
Change in net unrealized gains on investments	(432)	(1,817)	823	(1,798)
Portion of other-than-temporary impairments recognized in other comprehensive income (loss)	(25)	—	(52)	—
Comprehensive income (loss)	184,187	53,600	449,235	(271,156)
Net (income) loss attributable to noncontrolling interests	(33,624)	(21,903)	(87,265)	63,589
Change in net unrealized gains on fixed maturity investments available for sale attributable to noncontrolling interests	—	3	—	6
Comprehensive (income) loss attributable to noncontrolling interests	(33,624)	(21,900)	(87,265)	63,595
Comprehensive income (loss) attributable to RenaissanceRe	$150,563	$31,700	$361,970	$(207,561)
Disclosure regarding net unrealized gains				
Total realized and net unrealized holding gains on investments and net other-than-temporary impairments	$105	$1,292	$2,529	$902
Net realized gains on fixed maturity investments available for sale	(746)	(3,106)	(2,049)	(2,694)
Net other-than-temporary impairments recognized in earnings	209	—	343	—
Change in net unrealized gains on investments	$(432)	$(1,814)	$823	$(1,792)

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2012 and 2011
(in thousands of United States Dollars) (Unaudited)

	Six months ended	
	June 30, 2012	June 30, 2011
Preference shares		
Balance – January 1	$550,000	$550,000
Balance – June 30	550,000	550,000
Common shares		
Balance – January 1	51,543	54,110
Repurchase of shares	(1,229)	(2,655)
Exercise of options and issuance of restricted stock awards	295	298
Balance – June 30	50,609	51,753
Additional paid-in capital		
Balance – January 1	—	—
Repurchase of shares	(12,350)	546
Change in redeemable noncontrolling interest	7,056	(143)
Exercise of options and issuance of restricted stock awards	5,294	5,365
Balance – June 30	—	5,768
Accumulated other comprehensive income		
Balance – January 1	11,760	19,823
Change in net unrealized gains on investments	823	(1,792)
Portion of other-than-temporary impairments recognized in other comprehensive income (loss)	(52)	—
Balance – June 30	12,531	18,031
Retained earnings		
Balance – January 1	2,991,890	3,312,392
Net income (loss)	448,464	(269,358)
Net (income) loss attributable to noncontrolling interests	(87,265)	63,589
Repurchase of shares	(78,046)	(172,683)
Dividends on common shares	(27,673)	(26,721)
Dividends on preference shares	(17,500)	(17,500)
Balance – June 30	3,229,870	2,889,719
Noncontrolling interest	3,911	3,430
Total shareholders' equity	$3,846,921	$3,518,701

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the six months ended June 30, 2012 and 2011
(in thousands of United States Dollars) (Unaudited)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash flows provided by operating activities		
Net income (loss)	$448,464	$(269,358)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization, accretion and depreciation	28,785	17,249
Equity in undistributed (earnings) losses of other ventures	(8,868)	21,355
Net realized and unrealized gains on investments	(77,116)	(29,765)
Net other-than-temporary impairments	343	—
Net unrealized gains included in net investment income	(23,821)	(22,270)
Net unrealized gains included in other income (loss)	(2,987)	(63,141)
Change in:		
Premiums receivable	(499,668)	(611,439)
Prepaid reinsurance premiums	(219,720)	(185,033)
Reinsurance recoverable	205,252	(231,534)
Deferred acquisition costs	(62,306)	(55,210)
Reserve for claims and claim expenses	(191,107)	912,885
Unearned premiums	616,844	544,756
Reinsurance balances payable	139,786	85,128
Other	(50,104)	(82,627)
Net cash provided by operating activities	303,777	30,996
Cash flows (used in) provided by investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	4,792,702	2,879,215
Purchases of fixed maturity investments trading	(5,312,902)	(2,811,678)
Proceeds from sales and maturities of fixed maturity investments available for sale	37,530	48,135
Purchases of fixed maturity investments available for sale	—	(4,078)
Purchases of equity investments trading	—	(32,676)
Net sales of short term investments	183,605	50,852
Net sales (purchases) of other investments	18,681	(23,881)
Net purchases of investments in other ventures	—	(21,000)
Net (purchases) sales of other assets	(166)	46,984
Net proceeds from sale of discontinued operations held for sale	—	269,520
Net cash (used in) provided by investing activities	(280,550)	401,393
Cash flows provided by (used in) financing activities		
Dividends paid – RenaissanceRe common shares	(27,673)	(26,721)
Dividends paid – preference shares	(17,500)	(17,500)
RenaissanceRe common share repurchases	(90,111)	(174,792)
Net repayment of debt	—	(200,000)
Net third party DaVinciRe share transactions	160,864	(56,708)
Net cash provided by (used in) financing activities	25,580	(475,721)
Effect of exchange rate changes on foreign currency cash	(1,559)	3,331
Net increase (decrease) in cash and cash equivalents	47,248	(40,001)
Cash and cash equivalents, beginning of period	216,984	277,738

Cash and cash equivalents, end of period	$264,232	$237,737

See accompanying notes to the consolidated financial statements

RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012
(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 for the fiscal year ended December 31, 2011.

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 loss (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, through Renaissance Trading Ltd. ("Renaissance Trading") and RenRe Energy Advisors Ltd. ("REAL"), transacts certain derivative-based risk management products primarily to address weather and energy risk and engages in hedging and trading activities related to those transactions.
- On November 18, 2010, the Company entered into a definitive stock purchase agreement (the "Stock Purchase Agreement") with QBE Holdings, Inc. ("QBE") to sell substantially all of its U.S.-based insurance operations including its U.S. property and casualty business underwritten through managing general agents, its crop insurance business underwritten through Agro National Inc. ("Agro National"), its commercial property insurance operations and its claims operations. At December 31, 2010, 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. On March 4, 2011, the Company and QBE closed the transaction contemplated by the Stock Purchase Agreement. Refer to "Note 3. Discontinued Operations," for more information.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to our significant accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2011.

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. 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 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 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.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts ("ASU 2010-26"), which amends FASB ASC Topic Financial Services - Insurance. ASU 2010-26 modifies the definition of the types of costs that can be capitalized in relation to the acquisition of new and renewal insurance contracts. The amended guidance requires costs to be incremental or directly related to the successful acquisition of new or renewal contracts in order to be capitalized as a deferred acquisition cost. Capitalized costs would include incremental direct costs, such as commissions paid to brokers. Additionally, the portion of employee salaries and benefits directly related to time spent for acquired contracts would be capitalized. Costs that fall outside the revised definition must be expensed when incurred. ASU 2010-26 became effective for fiscal periods beginning on or after December 15, 2011, and as a result, the Company adopted ASU 2010-26 effective January 1, 2012. The adoption of ASU 2010-26 did not have a material impact on the Company's consolidated statements of operations and financial condition.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs

In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"), which amends FASB ASC Topic Fair Value Measurement. ASU 2011-04 was issued to provide largely identical guidance about fair value measurement and disclosure requirements with the International Accounting Standards Board's new International Financial Reporting Standards ("IFRS") 13, Fair Value Measurement. ASU

2011-04 does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it is already required or permitted under GAAP and requires enhanced disclosures covering all transfers between Levels 1 and 2 of the fair value hierarchy. Additional disclosures covering Level 3 assets are also required. ASU 2011-04 became effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and as a result, the Company adopted ASU 2011-04 effective January 1, 2012. The adoption of ASU 2011-04 did not have a material impact on the Company's consolidated statements of operations and financial condition. The additional disclosures required by ASU 2011-04 have been provided in "Note 5. Fair Value Measurements" of the Company's Notes to Consolidated Financial Statements.

Presentation of Comprehensive Income

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”), which amends FASB ASC Topic Comprehensive Income. ASU 2011-05 increases the prominence of items reported in other comprehensive income and eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity. ASU 2011-05 requires that all non-owner changes in shareholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 became effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with retroactive application required. The Company adopted ASU 2010-26 effective January 1, 2012 and it did not have a material impact on the Company's consolidated statements of operations and financial condition.

NOTE 3. DISCONTINUED OPERATIONS

U.S.-Based Insurance Operations

On November 18, 2010, the Company entered into a Stock Purchase Agreement with QBE to sell substantially all of its U.S.-based insurance operations, including its U.S. property and casualty business underwritten through managing general agents, its crop insurance business underwritten through Agro National, its commercial property insurance operations and its claims operations. At December 31, 2010, the Company classified the assets and liabilities associated with this transaction as held for sale and the assets and liabilities were recorded at the lower of the carrying value or fair value less costs to sell. The financial results for these operations have been presented as discontinued operations in the Company's consolidated statements of operations for all periods presented.

Consideration for the transaction was book value at December 31, 2010, for the aforementioned businesses, payable in cash at closing and subject to adjustment for certain tax and other items. The transaction closed on March 4, 2011 and net consideration of $269.5 million was received by the Company.

Pursuant to the Stock Purchase Agreement, the Company was subject to a post-closing review following December 31, 2011 of the net reserve for claims and claim expenses for loss events occurring on or prior to December 31, 2010 (the “Reserve Collar”). Subsequent to the post-closing review, the Company was liable to pay, or otherwise reimburse QBE amounts up to $10.0 million for net adverse development on prior accident years net claims and claim expenses. Conversely, if prior accident years net claims and claim expenses experienced net favorable development, QBE was liable to pay, or otherwise reimburse the Company amounts up to $10.0 million.

During 2011, the Company recognized a $10.0 million liability and corresponding expense in liabilities of discontinued operations held for sale and (loss) income from discontinued operations, respectively, due to purported net adverse development on prior accident years net claims and claim expenses associated with the Reserve Collar.

Effective May 23, 2012, the Company and QBE reached an agreement in respect of the Reserve Collar, and the Company paid QBE the sum of $9.0 million on June 1, 2012, representing full and final settlement of the Reserve Collar and recorded a gain of $1.0 million in income from discontinued operations during the second quarter of 2012.

NOTE 4. INVESTMENTS
Fixed Maturity Investments Trading
The following table summarizes the fair value of fixed maturity investments trading:

	June 30, 2012	December 31, 2011
U.S. treasuries	$1,126,759	$885,152
Agencies	436,691	158,561
Non-U.S. government (Sovereign debt)	172,008	216,916
FDIC guaranteed corporate	29,386	423,630
Non-U.S. government-backed corporate	393,875	640,757
Corporate	1,652,007	1,187,437
Agency mortgage-backed	580,971	428,042
Non-agency mortgage-backed	135,268	82,096
Commercial mortgage-backed	414,524	255,885
Asset-backed	7,466	12,989
Total fixed maturity investments trading	$4,948,955	$4,291,465

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:

		Included in Accumulated Other Comprehensive Income			
At June 30, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Non-U.S. government (Sovereign debt)	$5,000	$223	$—	$5,223	$—
Corporate	11,815	1,010	(110)	12,715	75
Agency mortgage-backed	10,478	906	—	11,384	—
Non-agency mortgage-backed	15,929	2,496	(19)	18,406	891
Commercial mortgage-backed	48,926	6,717	—	55,643	—
Asset-backed	4,499	232	—	4,731	—
Total fixed maturity investments available for sale	$96,647	$11,584	$(129)	$108,102	$966

At December 31, 2011	Amortized Cost	Included in Accumulated Other Comprehensive Income Gross Unrealized Gains	 Gross Unrealized Losses	Fair Value	Non-Credit Other-Than-Temporary Impairments (1)
Non-U.S. government (Sovereign debt)	$10,087	$921	$(12)	$10,996	$—
Non-U.S. government-backed corporate	312	13	—	325	—
Corporate	18,449	1,535	(517)	19,467	(176)
Agency mortgage-backed	12,636	1,071	—	13,707	—
Non-agency mortgage-backed	21,097	1,862	(284)	22,675	(1,837)
Commercial mortgage-backed	63,269	6,576	(1)	69,844	—
Asset-backed	4,819	219	—	5,038	—
Total fixed maturity investments available for sale	$130,669	$12,197	$(814)	$142,052	$(2,013)

(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.

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.

	Trading		Available for Sale		Total Fixed Maturity Investments	
At June 30, 2012	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$405,210	$405,547	$112	$89	$405,322	$405,636
Due after one through five years	2,606,528	2,615,915	8,358	8,761	2,614,886	2,624,676
Due after five through ten years	625,279	646,130	6,200	6,779	631,479	652,909
Due after ten years	130,574	143,134	2,145	2,309	132,719	145,443
Mortgage-backed	1,115,304	1,130,763	75,333	85,433	1,190,637	1,216,196
Asset-backed	7,356	7,466	4,499	4,731	11,855	12,197
Total	$4,890,251	$4,948,955	$96,647	$108,102	$4,986,898	$5,057,057

Equity Investments Trading

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

	June 30, 2012	December 31, 2011
Financial institution securities	$55,381	$50,560

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Pledged Investments

At June 30, 2012, $1,330.9 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 principal letter of credit facility. Of this amount, $522.6 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities.

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 June 30,	2012	2011
Fixed maturity investments	$22,436	$24,426
Short term investments	234	433
Equity investments	181	112
Other investments		
Hedge funds and private equity investments	(10,413)	8,230
Other	4,975	2,838
Cash and cash equivalents	54	45
	17,467	36,084
Investment expenses	(2,724)	(2,756)
Net investment income	$14,743	$33,328

Six months ended June 30,	2012	2011
Fixed maturity investments	$48,769	$52,339
Short term investments	734	1,028
Equity investments	351	126
Other investments		
Hedge funds and private equity investments	18,060	31,737
Other	19,145	13,665
Cash and cash equivalents	80	86
	87,139	98,981
Investment expenses	(5,425)	(5,372)
Net investment income	$81,714	$93,609

Net realized and unrealized gains on investments and net other-than-temporary impairments are as follows:

Three months ended June 30,	2012	2011
Gross realized gains	$19,458	$15,430
Gross realized losses	(3,294)	(4,156)
Net realized gains on fixed maturity investments	16,164	11,274
Net unrealized gains on fixed maturity investments trading	12,538	24,728
Net unrealized gains (losses) on equity investments trading	2,301	(1,023)
Net realized and unrealized gains on investments	$31,003	$34,979
Total other-than-temporary impairments	$(234)	$—
Portion recognized in other comprehensive income, before taxes	25	—
Net other-than-temporary impairments	$(209)	$—

Six months ended June 30,	2012	2011
Gross realized gains	$55,744	$25,992
Gross realized losses	(10,244)	(16,773)
Net realized gains on fixed maturity investments	45,500	9,219
Net unrealized gains on fixed maturity investments trading	26,795	20,970
Net unrealized gains on equity investments trading	4,821	(424)
Net realized and unrealized gains on investments	$77,116	$29,765
Total other-than-temporary impairments	$(395)	$—
Portion recognized in other comprehensive income, before taxes	52	—
Net other-than-temporary impairments	$(343)	$—

The following table provides 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 June 30, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate	$1,424	$(49)	$513	$(61)	$1,937	$(110)
Non-agency mortgage-backed	—	—	98	(19)	98	(19)
Total	$1,424	$(49)	$611	$(80)	$2,035	$(129)

	Less than 12 Months		12 Months or Greater		Total	
At December 31, 2011	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Non-U.S. government (Sovereign debt)	$915	$(9)	$42	$(3)	$957	$(12)
Corporate	3,935	(385)	412	(132)	4,347	(517)
Non-agency mortgage-backed	8,024	(224)	798	(60)	8,822	(284)
Commercial mortgage-backed	—	—	455	(1)	455	(1)
Total	$12,874	$(618)	$1,707	$(196)	$14,581	$(814)

At June 30, 2012, the Company held 44 fixed maturity investments available for sale securities that were in an unrealized loss position, including 13 fixed maturity investments available for sale securities that were in an unrealized loss position for twelve months or greater. 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 six months ended June 30, 2012 and 2011, 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 are less than the amortized cost basis of the security.

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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 six months ended June 30, 2012, the Company recognized $Nil other-than-temporary impairments due to the Company's intent to sell these securities as of June 30, 2012 (2011 – $Nil).

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 six months ended June 30, 2012, the Company recognized $Nil of other-than-temporary impairments due to required sales (2011 – $Nil).

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 six months ended June 30, 2012, the Company recognized $0.3 million of other-than-temporary impairments which were recognized in earnings and $52 thousand related to other factors which were recognized in other comprehensive income (2011 – $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:

	2012	2011
Balance – April 1	$520	$2,875
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	11	—
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	41	—
Reductions:		
Securities sold during the period	(396)	(246)
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 – June 30	$176	$2,629

	2012	2011
Balance – January 1	$564	$3,098
Additions:		
Amount related to credit loss for which an other-than-temporary impairment was not previously recognized	11	—
Amount related to credit loss for which an other-than-temporary impairment was previously recognized	50	—
Reductions:		
Securities sold during the period	(449)	(469)
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 – June 30	$176	$2,629

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 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 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, nor have there been any transfers between Level 1 and Level 2, or Level 2 and Level 3, respectively, during the period represented by these consolidated financial statements.

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 June 30, 2012	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	$1,126,759	$1,126,759	$—	$—
Agencies	436,691	—	436,691	—
Non-U.S. government (Sovereign debt)	177,231	—	177,231	—
FDIC guaranteed corporate	29,386	—	29,386	—
Non-U.S. government-backed corporate	393,875	—	393,875	—
Corporate	1,664,722	—	1,636,947	27,775
Agency mortgage-backed	592,355	—	592,355	—
Non-agency mortgage-backed	153,674	—	153,674	—
Commercial mortgage-backed	470,167	—	470,167	—
Asset-backed	12,197	—	12,197	—
Total fixed maturity investments	5,057,057	1,126,759	3,902,523	27,775
Short term investments	654,912	—	654,912	—
Equity investments trading	55,381	55,381	—	—
Other investments				
Private equity partnerships	360,268	—	—	360,268
Senior secured bank loan funds	269,317	—	246,593	22,724
Catastrophe bonds	106,470	—	106,470	—
Hedge funds	6,243	—	—	6,243
Miscellaneous other investments	1,270	—	—	1,270
Total other investments	743,568	—	353,063	390,505
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts	9,689	—	—	9,689
Derivatives (1)	14,752	2,011	3,660	9,081
Other	10,811	(4,604)	—	15,415
Total other assets and (liabilities)	35,252	(2,593)	3,660	34,185
	$6,546,170	$1,179,547	$4,914,158	$452,465

(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.

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At December 31, 2011	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	$885,152	$885,152	$—	$—
Agencies	158,561	—	158,561	—
Non-U.S. government (Sovereign debt)	227,912	—	227,912	—
FDIC guaranteed corporate	423,630	—	423,630	—
Non-U.S. government-backed corporate	641,082	—	641,082	—
Corporate	1,206,904	—	1,179,143	27,761
Agency mortgage-backed	441,749	—	441,749	—
Non-agency mortgage-backed	104,771	—	104,771	—
Commercial mortgage-backed	325,729	—	325,729	—
Asset-backed	18,027	—	18,027	—
Total fixed maturity investments	4,433,517	885,152	3,520,604	27,761
Short term investments	905,477	—	905,477	—
Equity investments trading	50,560	50,560	—	—
Other investments				
Private equity partnerships	367,909	—	—	367,909
Senior secured bank loan funds	257,870	—	237,815	20,055
Catastrophe bonds	70,999	—	70,999	—
Non-U.S. fixed income funds	28,862	—	28,862	—
Hedge funds	21,344	—	14,782	6,562
Miscellaneous other investments	2,000	—	—	2,000
Total other investments	748,984	—	352,458	396,526
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts	2,115	—	—	2,115
Derivatives (1)	3,312	707	(6,293)	8,898
Other	10,644	(6,869)	—	17,513
Total other assets and (liabilities)	16,071	(6,162)	(6,293)	28,526
	$6,154,609	$929,550	$4,772,246	$452,813

(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, Federal Deposit Insurance Company ("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 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 our fixed maturity investments are detailed below by asset class.

U.S. treasuries

Level 1 - At June 30, 2012, the Company’s U.S. treasuries fixed maturity investments are primarily priced by pricing services and had a weighted average effective yield of 0.5% and a weighted average credit quality of AA (December 31, 2011 - 0.6% 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 June 30, 2012, the Company’s agency fixed maturity investments had a weighted average effective yield of 0.7% and a weighted average credit quality of AA (December 31, 2011 - 0.5% 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 integrates 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 June 30, 2012, had a weighted average effective yield of 2.2% and a weighted average credit quality of AA (December 31, 2011 - 2.3% 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.

FDIC guaranteed corporate
Level 2 - The Company’s FDIC guaranteed corporate fixed maturity investments had a weighted average effective yield of 0.3% and a weighted average credit quality of AA at June 30, 2012 (December 31, 2011 - 0.3% and AA, respectively). The issuers consist of well known corporate issuers who participate in the FDIC program. The Company’s FDIC guaranteed 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.
Non-U.S. government-backed corporate
Level 2 - Non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 1.2% and a weighted average credit quality of AAA at June 30, 2012 (December 31, 2011 - 1.4% 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 June 30, 2012, the Company’s corporate fixed maturity investments principally consist of U.S. and international corporations and had a weighted average effective yield of 3.1% and a weighted average credit quality of A (December 31, 2011 - 4.2% and A, 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 June 30, 2012, the Company’s agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 1.5%, a weighted average credit quality of AA and a weighted average life of 2.8 years (December 31, 2011 - 1.5%, AA and 2.6 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 and the to be announced ("TBA") 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 June 30, 2012, the Company’s non-agency prime residential mortgage-backed fixed maturity investments have a weighted average effective yield of 5.2%, a weighted average credit quality of BBB, and a weighted average life of 5.2 years (December 31, 2011 - 8.0%, BBB and 3.3 years, respectively). The Company’s non-agency Alt-A fixed maturity investments held at June 30, 2012 have a weighted average effective yield

of 7.0%, a weighted average credit quality of BBB and a weighted average life of 5.5 years (December 31, 2011 - 9.1%, A and 3.8 years, respectively) . Securities held in these sectors are primarily priced by pricing services using an option adjusted spread (”OAS”) 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 June 30, 2012 have a weighted average effective yield of 2.5%, a weighted average credit quality of AA, and a weighted average life of 3.8 years (December 31, 2011 - 3.2%, AA and 4.2 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 June 30, 2012, the Company’s asset-backed fixed maturity investments had a weighted average effective yield of 2.5%, a weighted average credit quality of AAA and a weighted average life of 3.8 years (December 31, 2011 - 0.9%, AAA and 1.8 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 are 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 are 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 active broker dealers and applicable securities exchanges. All data sources are regularly reviewed for accuracy to attempt to ensure the most reliable price source is used for each issue.

Other investments

Senior secured bank loan funds

Level 2 - At June 30, 2012, the Company’s investments in senior secured bank loan funds include funds that invest primarily in bank loans and other senior debt instruments. The fair value of the Company’s senior secured bank loan funds are determined using the net asset value per share of the funds. Investments of $246.6 million are redeemable, in part on a monthly basis, or in whole over a three month period.

Catastrophe bonds

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

Non-U.S. fixed income funds

Level 2 - The Company’s non-U.S. fixed income funds invested primarily in non-U.S. convertible securities. The fair values of the investments in this category were estimated using the net asset value per share of the investments which were provided by third parties such as the relevant investment manager or administrator. During April 2012, the Company fully redeemed its remaining investment in non-U.S. fixed income funds at the then net asset value per share.

Hedge funds

Level 2 - The Company has investments in hedge funds that pursue multiple strategies. The fair values of the Company’s hedge funds are determined by adjusting the previous period's reported net asset value, which is 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 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 of each investor's interest.

During June 2012, the Company fully redeemed the portion of its investment in hedge funds which the Company had considered Level 2 in the fair value hierarchy, at the then net asset value per share.

Other assets and liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain other derivatives entered into by the Company. The fair value of these transactions include 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 1 - The liabilities measured at fair value and included in Level 1 at June 30, 2012 of $4.6 million are principally 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 June 30, 2012	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low		High		Weighted Average or Actual	
Fixed maturity investments									
Corporate	$17,521	Discounted cash flow ("DCF")	Credit spread (U)	n/a		n/a		4.6	%
			Illiquidity premium (U)	n/a		n/a		1.0	%
			Risk-free rate (O)	n/a		n/a		0.2	%
			Dividend rate (O)	n/a		n/a		5.9	%
	10,254	Internal valuation model	Private transaction (U)	n/a		n/a		See below	
Total fixed maturity investments	27,775								
Other investments									
Private equity partnerships	360,268	Net asset valuation	Estimated performance (U)	(19.7	)%	12.6	%	(1.4	)%
Senior secured bank loan funds	22,724	Net asset valuation	Estimated performance (U)	n/a		n/a		0.4	%
Hedge funds	6,243	Net asset valuation	Estimated performance (U)	(0.4	)%	3.0	%	1.9	%
Miscellaneous other investments	1,270	DCF	Illiquidity premium (U)	n/a		n/a		1.0	%
			Risk-free rate (O)	n/a		n/a		0.5	%
			Credit spread (U)	n/a		n/a		7.4	%
Total other investments	390,505								
Other assets and (liabilities)									
Assumed and ceded (re)insurance contracts	9,689	Internal valuation model	Net premiums written (O)	—		$12.3 million		See below	
			Contract period (O)	183 days		365 days		See below	
			Net reserve for claims and claim expenses (U)	—		—		See below	
Weather and energy related derivatives	9,081	Spread option; Quanto; Black Scholes; Simulation	Correlation (U)	0		1		See below	

			Volatility (U)	9.4	%	525.0	%	See below
			Commodity curve (U)	$2.62		$200.00		See below
			Weather curve (U)	19		5,000		See below
			Counterparty default risk (U)	0.0	%	22.5	%	See below
Other	14,165	Net asset valuation	Estimated performance (U)	n/a		n/a		See below
	1,250	Internal valuation model	Private transaction (U)	n/a		n/a		See below
Total other assets and (liabilities)	34,185							
	$452,465							

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Fixed Maturity Investments
Corporate
Level 3 - Included in the Company's corporate fixed maturity investments is an investment with a fair value of $17.5 million in the preferred equity of a property and casualty insurance group organized to market residential property insurance in North America. The Company measures the fair value of this investment using a DCF model and seeks to incorporate all relevant information reasonably available to it. The Company considers the contractual agreement which stipulates the methodology for calculating a dividend rate to be paid upon liquidation, conversion or redemption. At June 30, 2012, the dividend rate was 5.9%. In addition, the Company has estimated an illiquidity premium of 1.0% and a risk-free rate of 0.2%. 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 corporate fixed maturity investments determined by a DCF model is positively correlated to the dividend rate, and inversely correlated to the credit spread, illiquidity premium and the risk-free rate.
In addition, the Company's corporate fixed maturity investments include an investment with a fair value of $10.3 million at June 30, 2012 in the preferred equity of a company that provides insurance for a variety of veterinarian costs, including surgeries, medication and diagnostic testing. When utilizing an internal valuation model to determine the fair value of this investment, the Company uses a combination of quantitative and qualitative factors, which may include, but are not limited to, discounted cash flow analysis, financial statement analysis, budgets and forecasts, capital transactions and third party valuations. In circumstances where a private market transaction has recently occurred, the Company will evaluate the comparableness of that transaction and incorporate into its internal valuation model accordingly. Recent private market transactions of investments similar to that held by the Company have been used to determine the fair value of $10.3 million at June 30, 2012, as the Company believes it represents the price that would be received upon the sale of its investment in an orderly transaction among market participants. Consequently, should future relevant private market transactions occur, the Company will re-evaluate the information available used to determine fair value of this investment and record any adjustments to fair value in its consolidated statements of operations.
Other investments
Private equity partnerships
Level 3 - Included in the Company’s $360.3 million of investments in private equity partnerships at June 30, 2012 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 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 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 six months ended June 30, 2012 was negative 19.7% to positive 12.6% with a weighted average of negative 1.4%. 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 financial statements 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 funds

Level 3 - The Company has a $22.7 million investment 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 estimated monthly net asset valuations 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 financial statements to attempt to ensure that the fund is following fair value principles consistent with GAAP in determining the net asset value.

Hedge funds

Level 3 - The Company has $6.2 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 are 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 financial statements to ensure that the hedge fund investment is following fair value principles consistent with GAAP in determining the net asset value.

Miscellaneous other investments

Level 3 - Included in miscellaneous other investments is a loan to a third party with a fair value of $1.3 million. The Company determines the fair value of this loan using a DCF model and endeavors to incorporate all relevant information reasonably available, including the outstanding principal amount, interest rate inherent in the loan as determined using the 3-month LIBOR, credit spread and an illiquidity premium. The fair value of this loan is inversely correlated to the 3-month LIBOR, credit spread and illiquidity premium.

Other assets and liabilities

Assumed and ceded (re)insurance contracts

Level 3 - The $9.7 million fair value of the Company's assumed and ceded (re)insurance contracts accounted for at fair value is obtained 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 inputs are the reserve for claims and claim expenses and losses recoverable. Generally, an increase (decrease) in the reserve for claims and claim expenses, or a decrease (increase) in losses recoverable, would result in a decrease (increase) to the fair value of the Company's assumed and ceded (re)insurance contracts.

Derivatives

Level 3 - Derivatives measured at fair value include $9.1 million of proprietary, non-exchange traded derivative-based risk management products primarily to address weather and energy risks, and hedging and trading activities related to these risks. The trading markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena and in instances where market prices are not available, the Company uses industry or internally developed valuation techniques such as spread option, Black Scholes, quanto and simulation modeling to determine fair value and are considered Level 3. These models may reference prices for similar instruments.

Observable and unobservable inputs to these valuation techniques vary by contract requirements and commodity type, are validated using market-based or independently sourced parameters where applicable and would typically include the following, if applicable, dependent on contract requirements and commodity type:

- observable inputs: contract price, notional, option strike, term to expiry, interest rate, contractual limits;
- unobservable inputs: correlation; and
- both observable and unobservable: spot and forward volatilities, forward commodity price, forward weather curve, counterparty credit risk.

The range of each unobservable input could vary based on the specific commodity, including, but not limited to natural gas, electricity, crude, liquids, temperature or precipitation. Due to the diversity of the portfolio, the range of unobservable inputs could be wide-spread as reflected in the above table on quantitative information.

If a trade has one or more significant valuation inputs that are unobservable, such trades are initially valued at the transaction price, which is considered to be the best initial estimate of fair value. Subsequent to the initial valuation, the Company updates market observable inputs to reflect observable market changes. The unobservable inputs are validated at each reporting period and are only changed when corroborated by evidence such as similar market transactions, third-party pricing services and/or broker or dealer quotations or other empirical market data. The Company seeks to use broker quotes in less liquid markets.

Changes in any or all of the unobservable inputs listed above may contribute positively or negatively to the overall portfolio fair value depending upon the underlying position. In general, movements in weather curves are the largest contributing factor that impact fair value. However, trades valued using unobservable inputs represent a small percentage of the total number of transactions in the portfolio.

Pricing models are internally approved by the Company's Risk Committee prior to implementation and are reviewed periodically.

Other

Level 3 - The Company has an investment of $14.2 million at June 30, 2012 in the common equity of a mortgage insurance company which provides private capital to lenders and investors that supports financing for homeowner mortgages. The fair value of this investment is based on the unadjusted net asset value obtained from the management of the mortgage insurance company. The fair value of the Company's investment is positively correlated to the net asset valuation. The Company also considers factors such as recent financial information, the value of capital transactions with the mortgage insurance company and management's judgment regarding whether any adjustments should be made to the net asset value.

The Company also has an investment in the preferred equity of a company that develops online risk management products primarily focused on motor fuels risk, more specifically, structuring products, sourcing the risk and facilitating the settlement of capital. The fair value of this investment at June 30, 2012 of $1.3 million was determined using recent private market transactions. In instances where private market transactions are not available, the fair value is measured using a number of qualitative and quantitative factors, including but not limited to a net asset estimation of the company, projected earnings, private market transactions, and any other information that may be available to the Company. At June 30, 2012, the Company determined that the fair value of its investment was appropriate when compared to the net asset position of the company and recent private market transactions. Should the net asset position of the company increase, the fair value of the Company's investment would also increase.

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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 – April 1, 2012	$27,838	$418,537	$48,145	$494,520
Total unrealized losses				
Included in net investment income	(63)	(13,013)	—	(13,076)
Included in other income	—	—	(15,576)	(15,576)
Total realized gains				
Included in net investment income	—	—	—	—
Included in other income	—	—	22,076	22,076
Total foreign exchange (losses) gains	—	(1,394)	371	(1,023)
Purchases	—	5,956	40,878	46,834
Sales	—	—	(91,655)	(91,655)
Settlements	—	(19,581)	29,946	10,365
Net transfers into Level 3	—	—	—	—
Balance – June 30, 2012	$27,775	$390,505	$34,185	$452,465
Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in net investment income	$(63)	$(13,013)	$—	$(13,076)
Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in other income (loss)	$—	$—	$8,019	$8,019

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments, trading	Other investments	Other assets and (liabilities)	Total
Balance – January 1, 2012	$27,761	$396,526	$28,526	$452,813
Total unrealized gains (losses)				
Included in net investment income	14	16,094	—	16,108
Included in other loss	—	—	2,987	2,987
Total realized gains				
Included in net investment income	—	—	—	—
Included in other loss	—	—	(33,232)	(33,232)
Total foreign exchange losses	—	(664)	(6)	(670)
Purchases	—	18,645	50,159	68,804
Sales	—	—	(105,086)	(105,086)
Settlements	—	(40,096)	90,837	50,741
Net transfers into Level 3	—	—	—	—
Balance – June 30, 2012	$27,775	$390,505	$34,185	$452,465

Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in net investment income	$14	$16,094	$—	$16,108
Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in other income (loss)	$—	$—	$9,678	$9,678

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance – April 1, 2011	$21,826	$381,815	$68,380	$472,021
Total unrealized (losses) gains				
Included in net investment income	(562)	6,135	—	5,573
Included in other loss	—	—	91	91
Total realized gains				
Included in net investment income	—	—	—	—
Included in other loss	—	—	3,307	3,307
Total foreign exchange losses	—	553	(91)	462
Purchases	—	11,219	8,984	20,203
Sales	—	—	(6,864)	(6,864)
Settlements	—	(18,599)	(815)	(19,414)
Net transfers into Level 3	—	—	—	—
Balance – June 30, 2011	$21,264	$381,123	$72,992	$475,379
Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in net investment income	$(562)	$6,135	$—	$5,573
Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in other income (loss)	$—	$—	$4,195	$4,195

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Fixed maturity investments trading	Other investments	Other assets and (liabilities)	Total
Balance – January 1, 2011	$21,785	$362,102	$16,499	$400,386
Total unrealized (losses) gains				
Included in net investment income	(521)	29,892	—	29,371
Included in other income	—	—	41,599	41,599
Total realized gains				
Included in net investment income	—	—	—	—
Included in other income	—	—	12,822	12,822
Total foreign exchange losses	—	1,922	(142)	1,780
Purchases	—	28,684	10,615	39,299
Sales	—	—	(11,024)	(11,024)
Settlements	—	(41,477)	2,623	(38,854)
Net transfers into Level 3	—	—	—	—
Balance – June 30, 2011	$21,264	$381,123	$72,992	$475,379
Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in net investment income	$(521)	$29,892	$—	$29,371

Change in unrealized gains (losses) for the period included in earnings for assets held at the end of the period included in other income (loss)	$—	$—	$48,598	$48,598

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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 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 January 2003, RenaissanceRe issued $100.0 million, which represents the carrying amount on the Company's consolidated balance sheet, of 5.875% Senior Notes due February 15, 2013, with interest on the notes payable on February 15 and August 15 of each year. At June 30, 2012, the fair value of the 5.875% Senior Notes was $102.2 million (December 31, 2011 – $103.4 million).

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 June 30, 2012, the fair value of the 5.75% Senior Notes was $264.1 million (December 31, 2011 - $263.0 million).

The fair value of RenaissanceRe's 5.875% Senior Notes and 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 its Senior Notes.

The Fair Value Option for Financial Assets and Financial Liabilities

The Company has elected to account for certain assets and 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:

	June 30, 2012	December 31, 2011
Other investments	$743,568	$748,984
Other assets	$25,104	$19,628

Included in net investment income for the three and six months ended June 30, 2012 was net unrealized (losses) gains of $(13.4) million and $21.9 million related to the changes in fair value of other investments (2011 – $5.7 million and $33.7 million, respectively). Net unrealized losses related to the changes in the fair value of other assets and liabilities recorded in other (loss) income was $0.4 million and $2.5 million for the three and six months ended June 30, 2012 (2011 – $(0.8) million and $43.3 million, 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 June 30, 2012	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Minimum Days)	Redemption Notice Period (Maximum Days)
Private equity partnerships	$360,268	$99,125	See below	See below	See below
Senior secured bank loan funds	269,317	2,901	See below	See below	See below
Hedge funds	6,243	—	See below	See below	See below
Total other investments measured using net asset valuations	$635,828	$102,026			

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 using 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 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 applicable limited 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 limited partnership.

Senior secured bank loan funds – The Company’s investment in senior secured bank loan funds includes funds that invest primarily in bank loans and other senior debt instruments. The fair values of the investments in this category have been determined using the net asset value per share of the funds or the estimated net asset per share where applicable, as discussed in detail above. Investments of $246.6 million are redeemable, in part on a monthly basis, or in whole over a three month period.

The Company also has a $22.7 million investment in a closed end fund which invests in loans. The Company has no right to redeem its investment in this 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 remaining portion of the Company's investments in hedge funds at June 30, 2012, are $6.2 million of so called “side pocket” investments which are not redeemable at the option of the shareholder. As noted above, the Company fully redeemed the remaining non-side pocket investments in hedge funds during June 2012. The Company has retained its interest in the side pocket investments until the underlying investments attributable to such side pockets are liquidated, realized or deemed realized at the discretion of the fund manager.

NOTE 6. 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:

Three months ended June 30,	2012	2011
Premiums written		
Direct	$11,736	$9,309
Assumed	655,600	632,254
Ceded	(239,706)	(213,568)
Net premiums written	$427,630	$427,995
Premiums earned		
Direct	$7,950	$4,033
Assumed	341,620	306,757
Ceded	(105,154)	(93,615)
Net premiums earned	$244,416	$217,175
Claims and claim expenses		
Gross claims and claim expenses incurred	$70,101	$164,670
Claims and claim expenses recovered	(20,550)	(13,409)
Net claims and claim expenses incurred	$49,551	$151,261

Six months ended June 30,	2012	2011
Premiums written		
Direct	$20,199	$15,561
Assumed	1,311,288	1,236,507
Ceded	(411,282)	(371,498)
Net premiums written	$920,205	$880,570
Premiums earned		
Direct	$15,737	$6,515
Assumed	698,906	701,292
Ceded	(191,562)	(185,091)
Net premiums earned	$523,081	$522,716
Claims and claim expenses		
Gross claims and claim expenses incurred	$85,383	$1,027,993
Claims and claim expenses recovered	(20,280)	(248,195)
Net claims and claim expenses incurred	$65,103	$779,798

NOTE 7. NONCONTROLLING INTERESTS

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) loss attributable to noncontrolling interests. The Company's ownership in DaVinciRe was 31.5% at June 30, 2012 (December 31, 2011 - 42.8%).

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.

Certain third party shareholders of DaVinciRe submitted repurchase notices on or before the required annual redemption notice date of March 1, 2011, in accordance with the Shareholders Agreement. The repurchase notices submitted on or before March 1, 2011, were for shares of DaVinciRe with a GAAP book value of $9.2 million at December 31, 2011. Effective January 1, 2012, DaVinciRe redeemed the shares for $9.2 million, less a $1.8 million reserve holdback.

On June 1, 2011, DaVinciRe completed an equity raise of $100.0 million from new and existing shareholders, including $30.0 million contributed by the Company. As a result of the equity raise, the Company's ownership in DaVinciRe decreased to 42.8% effective June 1, 2011.

Effective January 1, 2012, an existing third party shareholder sold a portion of its shares in DaVinciRe to a new third party shareholder. In connection with the sale by the existing third party shareholder, DaVinciRe retained a $4.9 million holdback. In addition, effective January 1, 2012, the Company sold a portion of its shares of DaVinciRe to a separate new third party shareholder. The Company sold these shares for $98.9 million, net of a $10.0 million reserve holdback due from DaVinciRe. The Company's ownership in DaVinciRe was 42.8% at December 31, 2011 and subsequent to the above transactions, its ownership interest in DaVinciRe decreased to 34.7% effective January 1, 2012.

Certain third party shareholders of DaVinciRe submitted repurchase notices on or before the required annual redemption notice date of March 1, 2012, in accordance with the Shareholders Agreement. The repurchase notices submitted on or before March 1, 2012, were for shares of DaVinciRe with a GAAP book value of $50.0 million at June 30, 2012.

On June 1, 2012, DaVinciRe completed an equity raise of $49.3 million from a new third party investor. In addition, the Company and an existing third party investor each sold $24.7 million in common shares of DaVinciRe to another existing third party investor, for a total of $49.4 million. In connection with the sale by the Company and the existing third party investor, DaVinciRe retained a $5.0 million holdback, $2.5 million of which is payable to the Company. As a result of the above transactions, the Company's ownership in DaVinciRe decreased to 31.5% effective January 1, 2012.

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

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

	2012	2011
Balance – April 1	$796,743	$536,717
Purchase of shares from redeemable noncontrolling interest	—	(446)
Sale of shares to redeemable noncontrolling interests	70,501	70,000
Comprehensive income:		
Net income attributable to redeemable noncontrolling interest	33,634	21,733
Other comprehensive loss attributable to redeemable noncontrolling interest	—	(3)
Balance – June 30	$900,878	$628,001

	2012	2011
Balance – January 1	$657,727	$757,655
Purchase of shares from redeemable noncontrolling interest	—	(135,618)
Sale of shares to redeemable noncontrolling interests	156,169	70,000
Comprehensive income:		
Net income (loss) attributable to redeemable noncontrolling interest	86,982	(64,030)
Other comprehensive loss attributable to redeemable noncontrolling interest	—	(6)
Balance – June 30	$900,878	$628,001

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

In December 2010, REAL and RenRe Commodity Advisors Inc. (“RRCA”), both wholly owned subsidiaries of the Company, formed the Angus Fund with other equity investors. REAL, the general partner of the Angus Fund, has invested $55 thousand in the Angus Fund, representing a 1.0% ownership interest at June 30, 2012 (December 31, 2011 - $41 thousand and 1.0%, respectively), and RRCA, a limited partner, has invested $2.0 million in the Angus Fund, representing a 35.1% ownership interest at June 30, 2012 (December 31, 2011 - $1.0 million and 24.2%, respectively). The Angus Fund was formed to provide capital to and make investments in companies primarily in the heating oil and propane distribution industries to supplement the Company’s weather and energy risk management operations. The Angus Fund meets the definition of a variable interest entity ("VIE"), therefore the Company evaluated its ownership in the Angus Fund to determine if it is the primary beneficiary. The Company has concluded it is the primary beneficiary of the Angus Fund as it has the power to direct, and has 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 are consolidated. The portion of the Angus Fund's earnings owned by third parties is recorded in the consolidated statements of operations as net (income) loss attributable to noncontrolling interest. The Company expects its ownership in the Angus Fund to fluctuate over time.

The activity in noncontrolling interest is detailed in the table below:

	2012	2011
Balance – April 1	$3,892	$3,160
Sale of shares by noncontrolling interest	—	100
Comprehensive income:		
Net (loss) income attributable to noncontrolling interest	(10)	170
Dividends on common shares	29	—
Balance – June 30	$3,911	$3,430

	2012	2011
Balance – January 1	$3,340	$2,889
Sale of shares by noncontrolling interest	300	100
Comprehensive income:		
Net income attributable to noncontrolling interest	283	441
Dividends on common shares	(12)	—
Balance – June 30	$3,911	$3,430

NOTE 8. VARIABLE INTEREST ENTITIES

Effective January 1, 2012, the Company formed and launched a new managed joint venture, Upsilon Reinsurance Ltd. (“Upsilon Re”), a Bermuda domiciled special purpose insurer ("SPI"), to provide additional capacity to the worldwide aggregate and per-occurrence retrocessional property catastrophe excess of loss market for the 2012 underwriting year. The original business was written by Renaissance Reinsurance of Europe ("ROE"), a wholly owned subsidiary of RenaissanceRe, and included $37.4 million of gross premiums written. A portion of this business was in turn ceded to Upsilon Re under a fully-collateralized retrocessional reinsurance contract, effective January 1, 2012. In conjunction with the formation and launch of Upsilon Re, $16.8 million of non-voting Class B shares were sold to external investors, and the Company invested $48.8 million in Upsilon Re's non-voting Class B shares, representing a 74.5% ownership interest in Upsilon Re. The Class B shareholders will participate in substantially all of the profits or losses of Upsilon Re while the Class B shares remain outstanding. The holders of Class B shares indemnify Upsilon Re against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under Financial Accounting Standards Board Accounting Standards Codification Topic Financial Services - Insurance. In addition, another third party investor supplied $17.6 million of capital through a reinsurance participation with ROE alongside Upsilon Re. Inclusive of the third party quota share agreement, the Company has a 61.4% participation in the original risks assumed by ROE. Both Upsilon Re and the third party reinsurance participation related to Upsilon Re are managed by RUM in return for an expense override, as well as a potential underwriting profit commission. Upsilon Re is considered a VIE and the Company is considered the primary beneficiary. As a result, Upsilon Re is consolidated by the Company and all significant inter-company transactions have been eliminated.

The Company's ownership interest in Upsilon Re could change over time, perhaps materially so, and the Company may also elect to underwrite additional risks within Upsilon Re and to write business within Upsilon Re in future underwriting years.

Effective June 1, 2012, the Company formed and launched a new managed joint venture, Timicuan Reinsurance III Limited (“Tim Re III”), a Bermuda domiciled SPI, to provide collateralized reinsurance in respect of a portfolio of Florida reinstatement premium protection ("RPP") contracts. The original business was written by Renaissance Reinsurance and DaVinci, and included $41.1 million of gross premiums written incepting June 1, 2012 and Renaissance Reinsurance and DaVinci ceded $37.7 million to Tim Re III under a fully-collateralized reinsurance contract. In conjunction with the formation and launch of Tim Re III, $44.8 million of non-voting Class B shares were sold to external investors, and the Company invested an additional $10.3 million in Tim Re III's non-voting Class B shares, representing an 18.6% ownership interest in Tim Re III. The Class B shareholders will participate in substantially all of the profits or losses of Tim Re III while the Class B shares remain outstanding. The holders of Class B shares indemnify Tim Re III against losses relating to insurance risk and therefore these shares have been accounted for as prospective reinsurance under Financial Accounting Standards Board Accounting Standards Codification Topic Financial Services - Insurance. In addition, another third party investor supplied $5.2 million of capital through a reinsurance participation with Renaissance Reinsurance and DaVinci, alongside Tim Re III. Both Tim Re III and the third party reinsurance participation related to Tim Re III are managed by RUM in return for a potential underwriting profit commission. Tim Re III is considered a VIE and the Company is considered the primary beneficiary. As a result, Tim Re III is consolidated by the Company and all significant inter-company transactions have been eliminated.

NOTE 9. SHAREHOLDERS' EQUITY

The Board of Directors of RenaissanceRe declared, and RenaissanceRe paid, a dividend of $0.27 per common share to shareholders of record on March 15 and June 15, 2012, respectively.

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 the Company'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 six months ended June 30, 2012, the Company repurchased 1.2 million shares in open market transactions, at an aggregate cost of $91.6 million, and at an average share price of $74.57. Subsequent to June 30, 2012 and through the period ending July 30, 2012, the Company repurchased approximately 71 thousand common shares in open market transactions at an aggregate cost of $5.3 million and at an average share price of $74.21. On February 22, 2012, the Company approved an increase in its authorized share repurchase program to an aggregate amount of $500.0 million. At June 30, 2012, $412.0 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.

In December 2006, the Company raised $300.0 million through the issuance of 12 million Series D Preference Shares at $25 per share and in March 2004, the Company raised $250.0 million through the issuance of 10 million Series C Preference Shares at $25 per share. The Series D and Series C Preference Shares may be redeemed at $25 per share at the Company's option on or after December 1, 2011 and March 23, 2009, respectively. Dividends on the Series D and Series C Preference Shares are cumulative from the date of original issuance and are payable quarterly in arrears at 6.60% and 6.08%, respectively, when, if, and as declared by the Board of Directors. The preference shares have no stated maturity and are not convertible into any other securities of the Company. 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 the Company.

During the six months ended June 30, 2012, the Company declared and paid $17.5 million in preference share dividends (2011 – $17.5 million).

NOTE 10. EARNINGS PER SHARE

The Company accounts for its earnings per share 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. In accordance with FASB ASC Topic Earnings per Share, earnings per share calculations use average common shares outstanding - basic, when the Company is in a net loss position for the period.

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

Three months ended June 30,	2012	2011
(thousands of shares)		
Numerator:		
Net income available to RenaissanceRe common shareholders	$142,270	$24,764
Amount allocated to participating common shareholders (1)	(2,236)	(461)
Net income allocated to RenaissanceRe common shareholders	$140,034	$24,303
Denominator:		
Denominator for basic income per RenaissanceRe common share - weighted average common shares	50,278	50,493
Per common share equivalents of employee stock options and restricted shares	734	557
Denominator for diluted income per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	51,012	51,050
Basic income per RenaissanceRe common share	$2.78	$0.48
Diluted income per RenaissanceRe common share	$2.75	$0.48

Six months ended June 30,	2012	2011
(thousands of shares)		
Numerator:		
Net income (loss) available (attributable) to RenaissanceRe common shareholders	$343,699	$(223,269)
Amount allocated to participating common shareholders (1)	(5,601)	(514)
Net income (loss) allocated to RenaissanceRe common shareholders	$338,098	$(223,783)
Denominator:		
Denominator for basic income (loss) per RenaissanceRe common share - weighted average common shares	50,328	50,994
Per common share equivalents of employee stock options and restricted shares	669	—
Denominator for diluted income (loss) per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	50,997	50,994
Basic income (loss) per RenaissanceRe common share	$6.72	$(4.39)
Diluted income (loss) per RenaissanceRe common share	$6.63	$(4.39)

(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 three reportable segments: Reinsurance, Lloyd's and Insurance.

The Company's Reinsurance operations are comprised of: 1) property catastrophe reinsurance, primarily written through Renaissance Reinsurance and DaVinci; 2) specialty reinsurance, primarily written through Renaissance Reinsurance and DaVinci; and 3) certain property catastrophe and specialty joint ventures, 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 Company's Lloyd's segment includes reinsurance and insurance business written through Syndicate 1458. Syndicate 1458 started writing certain lines of insurance and reinsurance business incepting on or after June 1, 2009. The syndicate was established to enhance the Company's underwriting platform by providing access to Lloyd's extensive distribution network and worldwide licenses and is managed by the Chief Underwriting Officer Lloyd's. RenaissanceRe Corporate Capital (UK) Limited (“RenaissanceRe CCL”), an indirect wholly owned subsidiary of the Company, is the sole corporate member of Syndicate 1458.

The Company's Insurance segment includes the operations of the Company's former Insurance segment that were not sold pursuant to the Stock Purchase Agreement with QBE, as discussed in “Note 1. Organization”. The Insurance segment is managed by the Global Chief Underwriting Officer. The Insurance business is written by Glencoe Insurance Ltd. (“Glencoe”). Glencoe is a Bermuda domiciled excess and surplus lines insurance company that is currently eligible to do business on an excess and surplus lines basis in 49 U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

The financial results of the Company's strategic investments, weather and energy risk management operations and 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 June 30, 2012	Reinsurance	Lloyd's	Insurance	Other	Total
Gross premiums written	$617,039	$50,297	$—	$—	$667,336
Net premiums written	$379,369	$48,510	$(249)	—	$427,630
Net premiums earned	$214,296	$30,369	$(249)	—	$244,416
Net claims and claim expenses incurred	35,488	14,960	(897)	—	49,551
Acquisition expenses	20,098	5,510	—	—	25,608
Operational expenses	30,346	10,806	255	—	41,407
Underwriting income (loss)	$128,364	$(907)	$393	—	127,850
Net investment income				14,743	14,743
Net foreign exchange gains				2,410	2,410
Equity in earnings of other ventures				6,846	6,846
Other income				11,289	11,289
Net realized and unrealized gains on investments				31,003	31,003
Net other-than-temporary impairments				(209)	(209)
Corporate expenses				(4,067)	(4,067)
Interest expense				(5,716)	(5,716)
Income from continuing operations before taxes					184,149
Income tax expense				(898)	(898)
Income from discontinued operations				1,393	1,393
Net income attributable to noncontrolling interests				(33,624)	(33,624)
Dividends on preference shares				(8,750)	(8,750)
Net income available to RenaissanceRe common shareholders					$142,270
Net claims and claim expenses incurred – current accident year	$76,631	$18,366	$—		$94,997
Net claims and claim expenses incurred – prior accident years	(41,143)	(3,406)	(897)		(45,446)
Net claims and claim expenses incurred – total	$35,488	$14,960	$(897)		$49,551
Net claims and claim expense ratio – current accident year	35.8%	60.5%	—%		38.9%
Net claims and claim expense ratio – prior accident years	(19.2)%	(11.2)%	360.2%		(18.6)%
Net claims and claim expense ratio – calendar year	16.6%	49.3%	360.2%		20.3%
Underwriting expense ratio	23.5%	53.7%	(102.4)%		27.4%
Combined ratio	40.1%	103.0%	257.8%		47.7%

Six months ended June 30, 2012	Reinsurance	Lloyd’s	Insurance	Eliminations (1)	Other	Total
Gross premiums written	$1,226,801	$105,114	$—	$(428)	$—	$1,331,487
Net premiums written	$838,007	$82,447	$(249)		—	$920,205
Net premiums earned	$468,114	$55,191	$(224)		—	$523,081
Net claims and claim expenses incurred	43,812	23,961	(2,670)		—	65,103
Acquisition expenses	39,484	10,178	57		—	49,719
Operational expenses	62,390	20,863	537		—	83,790
Underwriting income	$322,428	$189	$1,852		—	324,469
Net investment income					81,714	81,714
Net foreign exchange gains					950	950
Equity in earnings of other ventures					12,316	12,316
Other loss					(27,805)	(27,805)
Net realized and unrealized gains on investments					77,116	77,116
Net other-than-temporary impairments					(343)	(343)
Corporate expenses					(8,878)	(8,878)
Interest expense					(11,434)	(11,434)
Income from continuing operations before taxes						448,105
Income tax expense					(861)	(861)
Income from discontinued operations					1,220	1,220
Net income attributable to noncontrolling interests					(87,265)	(87,265)
Dividends on preference shares					(17,500)	(17,500)
Net income available to RenaissanceRe common shareholders						$343,699
Net claims and claim expenses incurred – current accident year	$131,775	$34,646	$—			$166,421
Net claims and claim expenses incurred – prior accident years	(87,963)	(10,685)	(2,670)			(101,318)
Net claims and claim expenses incurred – total	$43,812	$23,961	$(2,670)			$65,103
	28.2 %	62.8 %	— %			31.8 %

Net claims and claim expense ratio – current accident year									
Net claims and claim expense ratio – prior accident years	(18.8	)%	(19.4	)%	1,192.0	%		(19.4	)%
Net claims and claim expense ratio – calendar year	9.4	%	43.4	%	1,192.0	%		12.4	%
Underwriting expense ratio	21.7	%	56.3	%	(265.2	)%		25.6	%
Combined ratio	31.1	%	99.7	%	926.8	%		38.0	%

(1) Represents $0.4 million of gross premiums ceded from the Reinsurance segment to the Lloyd’s segment.

Three months ended June 30, 2011	Reinsurance	Lloyd's	Insurance	Other	Total
Gross premiums written	$607,404	$34,126	$33	$—	$641,563
Net premiums written	$395,856	$32,084	$55	—	$427,995
Net premiums earned	$199,461	$17,233	$481	—	$217,175
Net claims and claim expenses incurred	143,219	8,619	(577)	—	151,261
Acquisition expenses	10,431	3,305	147	—	13,883
Operational expenses	32,901	8,635	763	—	42,299
Underwriting income (loss)	$12,910	$(3,326)	$148	—	9,732
Net investment income				33,328	33,328
Net foreign exchange losses				(4,521)	(4,521)
Equity in earnings of other ventures				5,128	5,128
Other loss				(5,167)	(5,167)
Net realized and unrealized gains on investments				34,979	34,979
Corporate expenses				(4,011)	(4,011)
Interest expense				(5,730)	(5,730)
Income from continuing operations before taxes					63,738
Income tax benefit				1,773	1,773
Loss from discontinued operations				(10,094)	(10,094)
Net income attributable to redeemable noncontrolling interest – DaVinciRe				(21,903)	(21,903)
Dividends on preference shares				(8,750)	(8,750)
Net income available to RenaissanceRe common shareholders					$24,764
Net claims and claim expenses incurred – current accident year	$162,398	$9,612	$(78)		$171,932
Net claims and claim expenses incurred – prior accident years	(19,179)	(993)	(499)		(20,671)
Net claims and claim expenses incurred – total	$143,219	$8,619	$(577)		$151,261
Net claims and claim expense ratio – current accident year	81.4%	55.8%	(16.2)%		79.2%
Net claims and claim expense ratio – prior accident years	(9.6)%	(5.8)%	(103.8)%		(9.6)%
Net claims and claim expense ratio – calendar year	71.8%	50.0%	(120.0)%		69.6%
Underwriting expense ratio	21.7%	69.3%	189.2%		25.9%
Combined ratio	93.5%	119.3%	69.2%		95.5%

Six months ended June 30, 2011	Reinsurance	Lloyd's	Insurance	Eliminations (1)	Other	Total
Gross premiums written	$1,181,086	$70,746	$313	$(77)	$—	$1,252,068
Net premiums written	$819,422	$60,821	$327		—	$880,570
Net premiums earned	$488,890	$32,907	$919		—	$522,716
Net claims and claim expenses incurred	738,623	39,142	2,033		—	779,798
Acquisition expenses	40,223	5,766	229		—	46,218
Operational expenses	65,264	17,607	1,258		—	84,129
Underwriting loss	$(355,220)	$(29,608)	$(2,601)		—	(387,429)
Net investment income					93,609	93,609
Net foreign exchange losses					(3,861)	(3,861)
Equity in losses of other ventures					(18,625)	(18,625)
Other income					44,978	44,978
Net realized and unrealized gains on investments					29,765	29,765
Corporate expenses					(6,075)	(6,075)
Interest expense					(11,925)	(11,925)
Loss from continuing operations before taxes						(259,563)
Income tax benefit					1,825	1,825
Loss from discontinued operations					(11,620)	(11,620)
Net loss attributable to redeemable noncontrolling interest – DaVinciRe					63,589	63,589
Dividends on preference shares					(17,500)	(17,500)
Net loss attributable to RenaissanceRe common shareholders						$(223,269)
Net claims and claim expenses incurred – current accident year	$829,760	$38,938	$(69)			$868,629
Net claims and claim expenses incurred – prior accident years	(91,137)	204	2,102			(88,831)
Net claims and claim expenses incurred – total	$738,623	$39,142	$2,033			$779,798
Net claims and claim expense ratio – current	169.7%	118.3%	(7.5)%			166.2%

accident year				
Net claims and claim expense ratio – prior accident years	(18.6)%	0.6 %	228.7 %	(17.0)%
Net claims and claim expense ratio – calendar year	151.1 %	118.9 %	221.2 %	149.2 %
Underwriting expense ratio	21.6 %	71.1 %	161.8 %	24.9 %
Combined ratio	172.7 %	190.0 %	383.0 %	174.1 %

(1) Represents $0.1 million of gross premiums ceded from the Reinsurance segment to the Lloyd's segment.

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. 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 table below shows the location on the consolidated balance sheets and fair value of the Company’s principal derivative instruments:

	Derivative Assets			
	June 30, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate futures	Other assets	$2,301	Other assets	$612
Foreign currency forward contracts (1)	Other assets	4,278	Other assets	—
Foreign currency forward contracts (2)	Other liabilities	3,359	Other liabilities	7,219
Foreign currency forward contracts (3)	Other assets	—	Other assets	387
Credit default swaps	Other assets	491	Other assets	—
Energy and weather contracts (4)	Other assets	27,516	Other assets	52,721
Total		$37,945		$60,939

	Derivative Liabilities			
	June 30, 2012		December 31, 2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate futures	Other liabilities	$289	Other liabilities	$339
Foreign currency forward contracts (1)	Other liabilities	4,987	Other liabilities	11,754
Foreign currency forward contracts (2)	Other liabilities	3,684	Other liabilities	1,606
Foreign currency forward contracts (3)	Other assets	175	Other assets	—
Credit default swaps	Other liabilities	536	Other liabilities	539
Energy and weather contracts (4)	Other liabilities	13,522	Other liabilities	43,389
Total		$23,193		$57,627

(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. Included in other liabilities are derivative assets of $3.4 million (December 31, 2011 – $7.2 million) which are netted with derivative liabilities of $3.7 million (December 31, 2011 – $1.6 million) under a master netting arrangements.

(3) Contracts used to manage foreign currency risks in energy and risk operations.

(4) Included in other assets is $56.8 million of derivative assets (December 31, 2011 – $104.6 million) and $29.3 million of derivative liabilities (December 31, 2011 – $51.9 million). Included in other liabilities is $5.2 million of derivative assets (December 31, 2011 – $8.8 million) and $18.7 million of derivative liabilities (December 31, 2011 – $52.2 million).

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Three months ended June 30,		2012	2011
Interest rate futures	Net investment income	$(2,847)	$(7,693)
Foreign currency forward contracts (1)	Net foreign exchange gains (losses)	(2,183)	9,208
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	1,899	(7,752)
Foreign currency forward contracts (3)	Net foreign exchange gains (losses)	376	(212)
Credit default swaps	Net investment income	(24)	420
Energy and weather contracts	Other income (loss)	11,987	1,429
Total		$9,208	$(4,600)

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
Six months ended June 30,		2012	2011
Interest rate futures	Net investment income	$(1,817)	$(8,347)
Foreign currency forward contracts (1)	Net foreign exchange gains (losses)	1,369	17,007
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	(2,349)	(21,152)
Foreign currency forward contracts (3)	Net foreign exchange gains (losses)	513	(648)
Credit default swaps	Net investment income	534	1,142
Energy and weather contracts	Other income (loss)	(16,726)	9,929
Platinum warrant	Other income (loss)	—	2,975
Total		$(18,476)	$906

(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.
(3) Contracts used to manage foreign currency risks in energy and risk 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 June 30, 2012.

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 June 30, 2012, the Company had $360.2 million of notional long positions and $303.7 million of notional short positions of primarily Eurodollar, U.S. treasury and non-U.S. dollar futures contracts (December 31, 2011 – $3.2 billion and $285.7 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-U.S. dollar denominated investments classified as available for sale and 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 June 30, 2012, the Company had outstanding underwriting related foreign currency contracts of $179.7 million in notional long positions and $503.4 million notional in short positions, denominated in U.S. dollars (December 31, 2011 – $160.5 million and $700.8 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. Foreign exchange gains (losses) associated with the Company’s hedging of these non-U.S. dollar investments are recorded in net foreign exchange (losses) gains in its consolidated statements of operations. 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 June 30, 2012, the Company had outstanding investment portfolio related foreign currency contracts of $198.3 million in notional long positions and $284.6 million in notional short positions, denominated in U.S. dollars (December 31, 2011 – $48.1 million and $211.6 million, respectively).

Energy and Risk Operations Related Foreign Currency Contracts

The Company’s energy and risk operations are exposed to currency fluctuations through certain derivative transactions it enters into that are denominated in non-U.S. dollars. The Company may, from time to time, 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 these operations. The fair value of the Company's energy and risk operations related foreign currency contracts is based on exchange traded prices. At June 30, 2012, the Company’s energy and risk operations had foreign currency contracts of $Nil in notional long positions and $16.7 million in notional short positions (December 31, 2011 – $7.8 million and $12.7 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 June 30, 2012, the Company had outstanding credit derivatives of $15.0 million in notional long positions and $24.4 million in notional short positions, denominated in U.S. dollars (December 31, 2011 – $15.0 million and $38.1 million, respectively).

Energy and Weather-Related Derivatives

The Company regularly transacts in certain derivative-based risk management products primarily to address weather and energy risks and engages in hedging and trading activities related to these risks. The trading markets for these derivatives are generally linked to energy and agriculture commodities, weather and other natural phenomena. Currently, a percentage of the Company's derivative-based risk management products are transacted on a dual-trigger basis combining weather or other natural phenomenon, with prices for commodities or securities related to energy or agriculture. The fair value of these contracts is obtained through the use of quoted market prices, or in the absence of such quoted prices, industry or internal valuation models. Generally, the Company's current portfolio of such derivative contracts is of comparably short duration and such contracts are predominantly seasonal in nature. Over time, the Company currently expects that its participation in these markets, and the impact of these operations on its financial results, is likely to increase on both an absolute and relative basis.

As of the dates set forth below, the Company had the following gross derivative contract positions outstanding relating to its energy and weather derivatives trading activities.

	Quantity (1)		
	June 30, 2012	December 31, 2011	Unit of measurement
Energy	170,095,670	240,363,364	One million British thermal units ("MMBTUs")
Temperature	24,141,394	14,917,438	$ per Degree Day Fahrenheit
Agriculture	29,798,000	6,098,000	Bushels
Precipitation	1,799,475	65,000	$ per Inch
Wind	146	712	$ per Meters per Second Hour

(1) Represents the sum of gross long and gross short derivative contracts.

The Company uses, among other things, value-at-risk ("VaR") analysis to monitor the risks associated with its energy and weather derivatives trading portfolio. VaR is a tool that measures the potential loss that could occur if the Company's trading positions were maintained over a defined period of time, calculated at a given statistical confidence level. Due to the seasonal nature of the Company's energy and weather derivatives trading activities, the VaR is based on a rolling two season (one-year) holding period assuming no dynamic trading during the holding period. A 99% confidence level is used for the VaR analysis. A 99% confidence level implies that within a one-year period, the potential loss in the Company's portfolio is not expected to exceed the VaR estimate in 99% of the possible modeled outcomes. In the remaining estimated 1% of the possible outcomes, the anticipated potential loss is expected to be higher than the VaR figure, and on average substantially higher.

The VaR model, based on a Monte Carlo simulation methodology, seeks to take into account correlations between different positions and potential for movements to offset one another within the portfolio. The expected value of the risk factors in the Company's portfolio is generally obtained from exchange-traded futures markets. For most of the risk factors, the volatility is derived from exchange-traded options markets. For those risk factors for which exchange-traded options might not exist, the volatility is based on historical analysis matched to broker quotes from the over-the-counter market, where available. The joint distribution of outcomes is based on our estimate of the historical seasonal dependence among the underlying risk factors, scaled to the current market levels. The Company then estimates the expected outcomes by applying a Monte Carlo simulation to these risk factors. The joint distribution of the simulated risk factors is then filtered through the portfolio positions, and then the distribution of the outcomes is realized. The 99th percentile of this distribution is then calculated as the portfolio VaR. Among the significant limitations of this methodology is that the market data used to forecast parameters of the model may not be an appropriate proxy of those parameters. The VaR methodology uses a number of assumptions, such as (i) risks are measured under average market conditions, assuming normal distribution of market risk factors, (ii) future movements in market risk factors follow estimated historical movements, and (iii) the assessed exposures do not change during the holding period. We believe the VaR methodology has utility but do not derive absolute assurance from it. Accordingly, there is no guarantee that these assumptions will prove correct and actual outcomes may vary, perhaps substantially and adversely. The Company expects that, for any given period, its actual results will differ from its assumptions, including with respect to previously estimated potential losses and that such losses could be substantially higher than the estimated VaR.

At June 30, 2012, the estimated VaR for the Company's portfolio of energy and weather-related derivatives, as described above, calculated at an estimated 99% confidence level, was $42.0 million. The average, low and high amounts calculated by the Company's VaR analysis during the six months ended June 30, 2012 were $26.4 million, $13.0 million and $49.3 million, respectively.

At June 30, 2012, RenaissanceRe had provided guarantees in the aggregate amount of $354.3 million to certain counterparties of the weather and energy risk operations of Renaissance Trading. In the future, RenaissanceRe may issue guarantees for other purposes or increase the amount of guarantees issued to counterparties of Renaissance Trading.

Platinum Warrant

The Company held a warrant to purchase up to 2.5 million common shares of Platinum for $27.00 per share. The Company recorded its investment in the Platinum warrant at fair value. The fair value of the warrant was estimated using either the Black-Scholes option pricing model or the in-the-money value, the greater of which the Company considered the best estimate of the exit value of the warrant. On January 20, 2011, the Company sold its warrant to Platinum for an aggregate of $47.9 million, and recognized a $3.0 million gain on the sale, which is included in other income during the six months ended June 30, 2011.

NOTE 13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT OF SUBSIDIARIES

The following tables present condensed consolidating balance sheets at June 30, 2012 and December 31, 2011, condensed consolidating statements of operations and condensed consolidating statements of comprehensive income (loss) for the three and six months ended June 30, 2012 and 2011, and condensed consolidating statements of cash flows for the six months ended June 30, 2012 and 2011, respectively, for RenaissanceRe, RRNAH and RenaissanceRe’s other subsidiaries. RRNAH is a wholly 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 June 30, 2012	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	$348,875	$41,934	$6,199,801	$—	$6,590,610
Cash and cash equivalents	4,749	871	258,612	—	264,232
Investments in subsidiaries	3,277,526	104,976	—	(3,382,502)	—
Due from subsidiaries and affiliates	117,128	—	—	(117,128)	—
Premiums receivable	—	—	971,546	—	971,546
Prepaid reinsurance premiums	—	—	278,242	—	278,242
Reinsurance recoverable	—	—	198,777	—	198,777
Accrued investment income	3,030	79	32,829	—	35,938
Deferred acquisition costs	—	—	106,027	—	106,027
Other assets	209,827	27,710	495,109	(218,500)	514,146
Total assets	$3,961,135	$175,570	$8,540,943	$(3,718,130)	$8,959,518
Liabilities, Noncontrolling Interests and Shareholders' Equity					
Liabilities					
Reserve for claims and claim expenses	$—	$—	$1,801,247	$—	$1,801,247
Unearned premiums	—	—	964,499	—	964,499
Debt	100,000	249,293	5,000	—	354,293
Amounts due to subsidiaries and affiliates	—	5,215	—	(5,215)	—
Reinsurance balances payable	—	—	396,669	—	396,669
Other liabilities	18,125	5,571	670,814	(1,458)	693,052
Liabilities of discontinued operations held for sale	—	1,959	—	—	1,959
Total liabilities	118,125	262,038	3,838,229	(6,673)	4,211,719
Redeemable noncontrolling interest – DaVinciRe	—	—	900,878	—	900,878
Shareholders' Equity					
Total shareholders' equity	3,843,010	(86,468)	3,801,836	(3,711,457)	3,846,921
Total liabilities, noncontrolling interests and shareholders' equity	$3,961,135	$175,570	$8,540,943	$(3,718,130)	$8,959,518

(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, 2011	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	$593,973	$104,869	$5,510,410	$—	$6,209,252
Cash and cash equivalents	10,606	4,920	201,458	—	216,984
Investments in subsidiaries	2,776,997	83,031	—	(2,860,028)	—
Due from subsidiaries and affiliates	172,069	846	—	(172,915)	—
Premiums receivable	—	—	471,878	—	471,878
Prepaid reinsurance premiums	—	—	58,522	—	58,522
Reinsurance recoverable	—	—	404,029	—	404,029
Accrued investment income	4,106	311	29,106	—	33,523
Deferred acquisition costs	—	—	43,721	—	43,721
Other assets	206,171	27,198	275,092	(201,458)	307,003
Total assets	$3,763,922	$221,175	$6,994,216	$(3,234,401)	$7,744,912
Liabilities, Redeemable Noncontrolling Interest and Shareholders’ Equity					
Liabilities					
Reserve for claims and claim expenses	$—	$—	$1,992,354	$—	$1,992,354
Unearned premiums	—	—	347,655	—	347,655
Debt	100,000	249,247	4,373	—	353,620
Amounts due to subsidiaries and affiliates	30,519	6,081	—	(36,600)	—
Reinsurance balances payable	—	—	256,883	—	256,883
Other liabilities	28,210	3,755	482,668	—	514,633
Liabilities of discontinued operations held for sale	—	13,507	—	—	13,507
Total liabilities	158,729	272,590	3,083,933	(36,600)	3,478,652
Redeemable noncontrolling interest – DaVinciRe	—	—	657,727	—	657,727
Shareholders’ Equity					
Total shareholders’ equity	3,605,193	(51,415)	3,252,556	(3,197,801)	3,608,533
Total liabilities, redeemable noncontrolling interest and shareholders’ equity	$3,763,922	$221,175	$6,994,216	$	