Letter to Shareholders

RenaissanceRe remains committed to the strategy upon which it was founded – disciplined risk-taking and opportunistic entry into markets, supported by sophisticated risk-management technology, prudent capital management and exceptional client service.

Last year was the worst year in our company's 13-year history. We reported our first-ever annual operating loss, losing $274 million as a result of an unprecedented level of hurricane activity in the Southern U.S., and experienced the loss of members of our senior management team in connection with the investigations into the company's restatement of its financial results. But RenaissanceRe is a resilient company, combining financial strength with experienced professional talent. Our employees have performed well by smoothly handling the management transition and at the same time executing effectively in operating our business.

A High Catastrophe Year

We estimate that industry insured losses for the 2005 hurricanes will exceed $80 billion, making it the most costly on record. Although some people in our industry did not seriously imagine the likelihood of so damaging a series of storms, or believed such things might occur only once in a hundred years, according to our models we estimate that the industry should expect this magnitude of worldwide annual aggregate losses to occur on average once every fifteen to twenty years. Though the impact of this level of industry losses will vary for an individual company depending on the concentrations of its book of business and the nature of the events that have occurred, the level of losses incurred in 2005 should not have been outside the range of modeled expectations.

Given this expectation, we were prepared to handle the 2005 hurricanes and are proud we responded so well, paying claims quickly and continuing to be a lead market for catastrophe reinsurance. This confirmed our role as an industry leader, and was appreciated by our clients.

Nevertheless, the hurricanes took their toll: Katrina caused a net negative impact of $443 million, and Wilma had a net negative impact of $314 million. The total impact of the 2005 hurricanes in the third and fourth quarters was $909 million, or about 1% of our estimate of total industry insured losses for these events. As a result, our operating loss was $274 million for the year, and our operating loss per share was $3.89. Book value per share fell by approximately 19%, to $24.52.

It is important to appreciate that our share of industry losses differed significantly for the two major storms. For Katrina our loss was roughly 0.7% of our estimate of $60 billion of industry losses, and for Wilma our loss was roughly 2% of our estimate of industry losses of $15 billion. These outcomes reflect our decision to be underweight for many of the classes of business that were heavily affected by Katrina such as offshore energy, commercial property and property per risk coverage. For these lines, we believed the catastrophic loss potential was underestimated and as a result the pricing was inadequate, so we did not write much of this business. We also continue to believe that it is inherently more difficult to model the potential damage to commercial property than to residential property, and so maintain relatively limited exposure to commercial portfolios. While the same underwriting approach applied to Wilma, we experienced a larger relative loss for this event driven by our decision to be overweight in Florida where we viewed the pricing as attractive.

Still, this past year's losses, following on the heels of a high-catastrophe year in 2004, might lead you to question how well our statistical models function, and even whether we should be in the catastrophe reinsurance business altogether. We ask ourselves similar questions. It is part of our risk

(From left)
W. James MacGinnitie,
Chairman of the Board, and
Neill A. Currie,
Chief Executive Officer

management culture to continually test our models and our approach, and not just in the aftermath of a major catastrophic event. We do so to evaluate our underwriting decisions and also to evaluate the analytical tools we use to make those decisions. This is part of an overall goal to continually refine and improve the way we manage risk. Our proprietary REMS© modeling system is fundamental to our underwriting practice and philosophy, and we have devoted considerable resources and intellectual capital to this technology.

Consistent with this goal, following the 2005 hurricane season, we completed a comprehensive review of our North Atlantic hurricane model. This was the conclusion of work we initiated following the 2004 hurricane season. Drawing upon a large pool of talent throughout our organization – including meteorologists, climatologists, statisticians and underwriters – we undertook an intensive reexamination of scientific and industry data and concluded that we have entered a period of higher frequency and severity of North Atlantic hurricanes. Given that our prior models, like most commercially available models, were calibrated to long-term historical averages, we increased the frequency assumptions in our REMS© model in November of 2005 and have been underwriting with this model since then. We believe we were the first reinsurance company to fully integrate revised frequency assumptions into its models for North Atlantic hurricanes. The vendor models, which most of our competitors use, are not expected to be updated until the second quarter of 2006. This gave our underwriters an analytical advantage at the January 1st renewals in 2006, which allowed us to get better access to the business we wanted to write, and we believe that for 2006 we have constructed a book of business that is better than 2005's, in part due to higher rates for catastrophe reinsurance in the post-Katrina market.

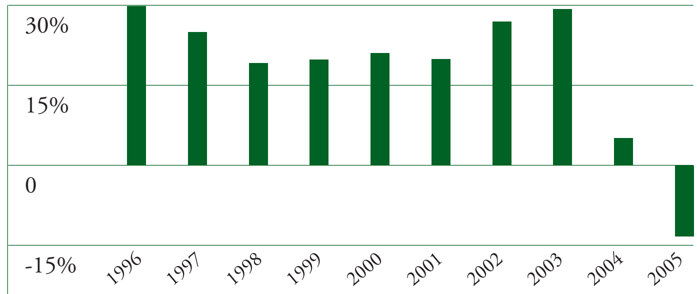
This interest and effort to better understand the peril of hurricanes is not something new at RenaissanceRe. Our commitment to research into the area of catastrophic risk has been in place for more than a decade. We have worked independently and with peers in our industry to fund innovative research on catastrophic perils. We have used the results from this research to improve our models and educate ourselves and our clients about ways to manage and mitigate the impact of natural catastrophes. For example, last year we funded a facility called the "RenaissanceRe Wall of Wind" at the International Hurricane Research Center at Florida International University, which is designed to test wind loads on various structures to help structural engineers design buildings that are more wind-resistant. We hope these efforts will contribute to mitigating damage from future hurricanes, which will benefit both our clients and us.

As to whether we should remain in the catastrophe business, we continue to believe that over time this business can produce attractive returns, if pursued with prudent risk selection and careful underwriting – concepts that are fundamental to our company's culture. We recognize that our business requires us to assume significant risk, but we do our best to make sure these risks are well understood, well defined, and that we are appropriately compensated for assuming them.

There is a tendency in our business to over-steer following large catastrophe losses and underwrite against the prior year's events. While assumptions need to be tested against actual

Bermuda Quarterly Underwriting Meeting

Operating Return On Common Equity*



results, the data we use to calibrate our models is more robust than the underwriting outcome of a single year. Given the relatively low frequency of catastrophic events, underwriters in our industry can sometimes be lulled into a false sense of complacency by recent results and will often end up under-pricing business in regions where losses have been light. We are disciplined in our approach and seek to avoid under-priced business. Over the long-run we expect this discipline to translate into superior results. Our track record indicates we have done a good job; over the last ten years we have grown tangible book value plus accumulated dividends at close to 17% per year.

While we remain committed to writing catastrophe reinsurance, we continue to look for opportunities to diversify our business into additional areas where we can apply our expertise. During the year, our Individual Risk segment grew 36% and accounted for 35% of our gross managed premium. In addition, our Specialty Reinsurance business continues to develop well-received franchises in attractive niche areas, taking advantage of market opportunities, although we expect premium volume to be down in 2006 due to the loss of a few large contracts, higher retentions, and fewer interesting opportunities at year end than we had anticipated.

Operations Unaffected during Management Changes

During the year, Jim Stanard, the company's co-founder, resigned as Chairman and Chief Executive Officer, and the two of us, Neill Currie and Jim MacGinnitie, together assumed his duties. Neill, who had co-founded RenaissanceRe with Jim Stanard in 1993 and had returned to the company during 2005, assumed the position of Chief Executive Officer. Jim MacGinnitie, who had served on the Board since 2001, stepped up to become non-executive Chairman.

Other management changes included the appointment of Bill Riker as Chief Underwriting Officer for the company. Bill, who has for years been a major force at RenaissanceRe and instrumental in developing our proprietary technology, had been head of our Individual Risk business. Bill Ashley, who has worked closely with him, moved up to assume Bill's responsibilities in Individual Risk. Kevin O'Donnell, who has been in charge of our Catastrophe Reinsurance operations, was given expanded duties to head our entire reinsurance subsidiary, including oversight of Specialty Reinsurance, which had previously been led by Michael Cash. In addition, John Lummis, our Chief Operating Officer and Chief Financial Officer, has indicated that he intends to leave the company at the end of his contract term in June 2006.

We are pleased that the transitions made to date have been smooth and efficient. Our core operating engine has functioned without interruption. The methodologies and key concepts upon which this company was founded have been institutionalized and rooted throughout the organization. Today, RenaissanceRe has grown to be a company of almost 200 people, with operations in Bermuda, Dallas, Raleigh and Dublin. Our people are motivated and proud to be part of an industry leader. They value the intellectual and technological resources available at RenaissanceRe, which make working at our company professionally rewarding.

During the past year, we also focused on further nurturing our professional talent. We initiated our Leadership Development Institute, a management development program

Dallas Quarterly Underwriting Meeting

Dublin Staff Meeting

to further cultivate our senior personnel. As part of this program, we bring in leaders and thinkers from outside the organization for lectures, workshops and coaching, to help our people develop their skills and harness their talents. As we grow, we seek to create not just an intellectually vibrant atmosphere, but also a mature and sustainable franchise.

We also had cause to be proud of our employees as they worked together to serve our clients and other stakeholders in the midst of the regulatory challenges and executive transitions we faced last year. We will continue to focus on strong accounting, compliance and internal audit functions, and will look to bolster our staff, processes and other resources in these areas. Perhaps even more importantly, we have reinforced that our company's strength is drawn from a culture of honesty, transparency, and ethical business practices, and we will seek to ensure that every member of our team will uphold the highest standards. We will continue to cooperate fully with the ongoing regulatory and government investigations and will make every effort to put these matters behind our company.

Looking Ahead

The past year was difficult, but we look to the future with optimism. We believe that opportunities within the marketplace, especially in our core catastrophe business, should continue to be strong, and we have so far constructed an attractive portfolio of business for the year ahead. Southeast U.S. catastrophe risk continues to represent an area of peak demand with constrained supply, and so we expect pricing to remain attractive. However, other geographic areas and perils have not adjusted for the lessons of 2005, and there are still many programs that are inadequately priced in our view. Aside from catastrophe-exposed business, market conditions are inconsistent, with little evidence of broad price firming like we saw in 2002.

In approaching these market conditions, we expect to bring the same philosophy that we always have: we will focus on the interests of the long-term shareholder, challenge ourselves to think carefully about the risks we are taking and seek to write only business that is attractively priced. For any business that we are in, that may mean growing or shrinking our premiums in any given year – and this may prove disappointing relative to others' expectations. Importantly, RenaissanceRe remains committed to the strategy and philosophy it was founded upon: careful and disciplined risk selection, opportunistic entry into markets experiencing dislocation or sudden change, leadership in the use of information and technology, prudent capital management and exceptional client service. These tenets have served our company and its shareholders well, and should continue to do so in the future.

Sincerely,

Neill A. Currie
Chief Executive Officer

W. James MacGinnitie
Chairman of the Board