

RENAISSANCERE HOLDINGS LTD

Form 10-Q

July 26, 2017

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, 2017

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 Number: 001-14428

RENAISSANCERE HOLDINGS LTD.

(Exact Name Of Registrant As Specified In Its Charter)

Bermuda 98-014-1974

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)

Renaissance House, 12 Crow Lane

HM 19

Pembroke, Bermuda

(Address of Principal Executive Offices) (Zip Code)

(441) 295-4513

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Act.

Large accelerated filer Q, Accelerated filer o, Non-accelerated filer o (do not check if a smaller reporting company),

Smaller reporting company o, Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. 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 21, 2017 was 40,265,190.

RENAISSANCERE HOLDINGS LTD.
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NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) of RenaissanceRe Holdings Ltd. (“RenaissanceRe”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, us. In particular, statements using words such as “may”, “should”, “estimate”, “expect”, “anticipate”, “intend”, “believe”, “potential”, or words of similar import generally involve forward-looking statements. For example, we may include certain forward-looking statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” with regard to trends in results, prices, volumes, operations, investment results, margins, combined ratios, fees, reserves, market conditions, risk management and exchange rates. This Form 10-Q also contains forward-looking statements with respect to our business and industry, such as those relating to our strategy and management objectives, market standing and product volumes, competition and new entrants in our industry, industry capital, insured losses from loss events, government initiatives and regulatory matters affecting the reinsurance and insurance industries.

The inclusion of forward-looking statements in this report should not be considered as a representation by us or any other person that our current objectives or plans will be achieved. Numerous factors could cause our actual results to differ materially from those addressed by the forward-looking statements, including the following:

- the frequency and severity of catastrophic and other events we cover;
- the effectiveness of our claims and claim expense reserving process;
- our ability to maintain our financial strength ratings;
- the effect of climate change on our business;
- the effects of United States (“U.S.”) business tax reform proposals;
- adverse tax developments, including potential changes to the taxation of inter-company or related party transactions, or changes to the tax treatment of our shareholders or investors in our joint ventures or other entities we manage;
- the effect of emerging claims and coverage issues;
- continued soft reinsurance underwriting market conditions;
- our reliance on a small and decreasing number of reinsurance brokers and other distribution services for the preponderance of our revenue;
- our exposure to credit loss from counterparties in the normal course of business;
- the effect of continued challenging economic conditions throughout the world;
- a contention by the Internal Revenue Service (the “IRS”) that Renaissance Reinsurance Ltd. (“Renaissance Reinsurance”), or any of our other Bermuda subsidiaries, is subject to taxation in the U.S.;
- the performance of our investment portfolio;
- losses we could face from terrorism, political unrest or war;
- the effect of cybersecurity risks, including technology breaches or failure, on our business;
- our ability to successfully implement our business strategies and initiatives;
- our ability to retain our key senior officers and to attract or retain the executives and employees necessary to manage our business;
- our ability to determine the impairments taken on our investments;
- the availability of retrocessional reinsurance on acceptable terms;
- the effects of inflation;

the ability of our ceding companies and delegated authority counterparties to accurately assess the risks they underwrite;
 the effect of operational risks, including system or human failures;
 our ability to effectively manage capital on behalf of investors in joint ventures or other entities we manage;
 foreign currency exchange rate fluctuations;
 our ability to raise capital if necessary;
 our ability to comply with covenants in our debt agreements;
 changes to the regulatory systems under which we operate, including as a result of increased global regulation of the insurance and reinsurance industry;
 changes in Bermuda laws and regulations and the political environment in Bermuda;
 our dependence on the ability of our operating subsidiaries to declare and pay dividends;
 the success of any of our strategic investments or acquisitions, including our ability to manage our operations as our product and geographical diversity increases;
 aspects of our corporate structure that may discourage third party takeovers and other transactions;
 the cyclical nature of the reinsurance and insurance industries;
 adverse legislative developments that reduce the size of the private markets we serve or impede their future growth;
 other political, regulatory or industry initiatives adversely impacting us;
 risks related to Solvency II;
 the effect on our business of the highly competitive nature of our industry, including the effect of new entrants to, competing products for and consolidation in the (re)insurance industry;
 consolidation of competitors, customers and insurance and reinsurance brokers;
 increasing barriers to free trade and the free flow of capital;
 international restrictions on the writing of reinsurance by foreign companies and government intervention in the natural catastrophe market;
 the effect of Organization for Economic Co-operation and Development (the "OECD") or European Union ("EU") measures to increase our taxes and reporting requirements;
 the effect of the vote by the U.K. to leave the EU;
 changes in regulatory regimes and accounting rules that may impact financial results irrespective of business operations; and
 our need to make many estimates and judgments in the preparation of our financial statements.

As a consequence, our future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of us. The factors listed above, which are discussed in more detail in our filings with the U.S. Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K ("Form 10-K") for the year ended December 31, 2016, should not be construed as exhaustive. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to revise or update forward-looking statements to reflect new information, events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RenaissanceRe Holdings Ltd. and Subsidiaries

Consolidated Balance Sheets

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

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Assets		
Fixed maturity investments trading, at fair value – amortized cost \$7,257,020 at June 30, 2017 (December 31, 2016 – \$6,920,690)	\$7,282,264	\$6,891,244
Short term investments, at fair value	1,070,950	1,368,379
Equity investments trading, at fair value	393,405	383,313
Other investments, at fair value	561,212	549,805
Investments in other ventures, under equity method	101,077	124,227
Total investments	9,408,908	9,316,968
Cash and cash equivalents	623,150	421,157
Premiums receivable	1,533,833	987,323
Prepaid reinsurance premiums	705,322	441,260
Reinsurance recoverable	370,586	279,564
Accrued investment income	40,118	38,076
Deferred acquisition costs	430,106	335,325
Receivable for investments sold	170,411	105,841
Other assets	176,816	175,382
Goodwill and other intangible assets	246,430	251,186
Total assets	\$13,705,680	\$12,352,082
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	\$2,989,806	\$2,848,294
Unearned premiums	1,847,206	1,231,573
Debt	988,866	948,663
Reinsurance balances payable	1,052,494	673,983
Payable for investments purchased	407,312	305,714
Other liabilities	222,658	301,684
Total liabilities	7,508,342	6,309,911
Commitments and Contingencies		
Redeemable noncontrolling interests	1,242,083	1,175,594
Shareholders' Equity		
Preference shares: \$1.00 par value – 16,000,000 shares issued and outstanding at June 30, 2017 (December 31, 2016 – 16,000,000)	400,000	400,000
Common shares: \$1.00 par value – 40,282,418 shares issued and outstanding at June 30, 2017 (December 31, 2016 – 41,187,413)	40,282	41,187
Additional paid-in capital	67,583	216,558
Accumulated other comprehensive (loss) income	(139)	) 1,133
Retained earnings	4,447,529	4,207,699
Total shareholders' equity attributable to RenaissanceRe	4,955,255	4,866,577
Total liabilities, noncontrolling interests and shareholders' equity	\$13,705,680	\$12,352,082

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, 2017 and 2016
(in thousands of United States Dollars, except per share amounts) (Unaudited)

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016
Revenues				
Gross premiums written	\$827,415	\$759,128	\$1,749,505	\$1,621,261
Net premiums written	\$555,745	\$519,916	\$1,099,881	\$1,031,591
Increase in unearned premiums	(173,480)	(168,514)	(351,571)	(326,583)
Net premiums earned	382,265	351,402	748,310	705,008
Net investment income	54,163	54,124	108,488	82,987
Net foreign exchange gains (losses)	3,109	(690)	11,274	(2,382)
Equity in earnings of other ventures	5,543	6,022	4,036	7,633
Other income	2,392	2,654	4,057	6,733
Net realized and unrealized gains on investments	58,113	69,772	101,486	131,425
Total revenues	505,585	483,284	977,651	931,404
Expenses				
Net claims and claim expenses incurred	142,587	167,750	335,668	294,355
Acquisition expenses	88,251	69,005	171,533	134,597
Operational expenses	41,766	51,073	89,049	107,308
Corporate expenses	4,636	5,752	9,922	13,977
Interest expense	10,091	10,536	20,617	21,074
Total expenses	287,331	304,116	626,789	571,311
Income before taxes	218,254	179,168	350,862	360,093
Income tax expense	(3,904)	(6,612)	(4,238)	(9,356)
Net income	214,350	172,556	346,624	350,737
Net income attributable to redeemable noncontrolling interests	(37,612)	(30,635)	(71,939)	(75,226)
Net income attributable to RenaissanceRe	176,738	141,921	274,685	275,511
Dividends on preference shares	(5,596)	(5,596)	(11,191)	(11,191)
Net income available to RenaissanceRe common shareholders	\$171,142	\$136,325	\$263,494	\$264,320
Net income available to RenaissanceRe common shareholders per common share – basic	\$4.25	\$3.23	\$6.50	\$6.20
Net income available to RenaissanceRe common shareholders per common share – diluted	\$4.24	\$3.22	\$6.47	\$6.16
Dividends per common share	\$0.32	\$0.31	\$0.64	\$0.62

See accompanying notes to the consolidated financial statements

RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three and six months ended June 30, 2017 and 2016
(in thousands of United States Dollars) (Unaudited)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Comprehensive income				
Net income	\$214,350	\$172,556	\$346,624	\$350,737
Change in net unrealized gains on investments	219	672	(1,272)	229
Comprehensive income	214,569	173,228	345,352	350,966
Net income attributable to redeemable noncontrolling interests	(37,612)	(30,635)	(71,939)	(75,226)
Comprehensive income attributable to redeemable noncontrolling interests	(37,612)	(30,635)	(71,939)	(75,226)
Comprehensive income attributable to RenaissanceRe	\$176,957	\$142,593	\$273,413	\$275,740

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2017 and 2016
(in thousands of United States Dollars) (Unaudited)

	Six months ended	
	June 30, 2017	June 30, 2016
Preference shares		
Balance – January 1	\$400,000	\$400,000
Balance – June 30	400,000	400,000
Common shares		
Balance – January 1	41,187	43,701
Repurchase of shares	(1,052)	) (2,420)
Exercise of options and issuance of restricted stock awards	147	215
Balance – June 30	40,282	41,496
Additional paid-in capital		
Balance – January 1	216,558	507,674
Repurchase of shares	(148,608)	) (269,847)
Change in redeemable noncontrolling interests	(306)	) (731)
Exercise of options and issuance of restricted stock awards	(61)	) 5,465
Balance – June 30	67,583	242,561
Accumulated other comprehensive (loss) income		
Balance – January 1	1,133	2,108
Change in net unrealized gains on investments	(1,272)	) 229
Balance – June 30	(139)	) 2,337
Retained earnings		
Balance – January 1	4,207,699	3,778,701
Cumulative effect of adoption of ASU 2016-09 (Note 2)	2,213	—
Net income	346,624	350,737
Net income attributable to redeemable noncontrolling interests	(71,939)	) (75,226)
Dividends on common shares	(25,877)	) (26,198)
Dividends on preference shares	(11,191)	) (11,191)
Balance – June 30	4,447,529	4,016,823
Total shareholders' equity	\$4,955,255	\$4,703,217

See accompanying notes to the consolidated financial statements

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RenaissanceRe Holdings Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the six months ended June 30, 2017 and 2016
(in thousands of United States Dollars) (Unaudited)

	Six months ended	
	June 30, 2017	June 30, 2016
Cash flows provided by operating activities		
Net income	\$346,624	\$350,737
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, accretion and depreciation	11,499	11,036
Equity in undistributed losses (earnings) of other ventures	20,304	(2,308)
Net realized and unrealized gains on investments	(101,486)	(131,425)
Net unrealized (gains) losses included in net investment income	(12,491)	20,360
Change in:		
Premiums receivable	(546,510)	(554,658)
Prepaid reinsurance premiums	(264,062)	(302,421)
Reinsurance recoverable	(91,022)	(87,480)
Deferred acquisition costs	(94,781)	(131,772)
Reserve for claims and claim expenses	141,512	77,198
Unearned premiums	615,633	629,004
Reinsurance balances payable	378,511	229,725
Other	(62,708)	17,245
Net cash provided by operating activities	341,023	125,241
Cash flows provided by investing activities		
Proceeds from sales and maturities of fixed maturity investments trading	5,163,972	4,780,406
Purchases of fixed maturity investments trading	(5,451,362)	(4,984,820)
Proceeds from sales and maturities of fixed maturity investments available for sale	—	5,216
Net sales of equity investments trading	46,305	181,634
Net sales of short term investments	276,075	245,899
Net sales (purchases) of other investments	2,551	(52,778)
Net cash provided by investing activities	37,541	175,557
Cash flows used in financing activities		
Dividends paid – RenaissanceRe common shares	(25,877)	(26,198)
Dividends paid – preference shares	(11,191)	(11,191)
RenaissanceRe common share repurchases	(145,940)	(265,003)
Issuance of debt, net of expenses	295,866	—
Repayment of debt	(250,000)	—
Net third party redeemable noncontrolling interest share transactions	(33,655)	(43,909)
Taxes paid on withholding shares	(11,251)	(8,069)
Net cash used in financing activities	(182,048)	(354,370)
Effect of exchange rate changes on foreign currency cash	5,477	2,208
Net increase (decrease) in cash and cash equivalents	201,993	(51,364)
Cash and cash equivalents, beginning of period	421,157	506,885
Cash and cash equivalents, end of period	\$623,150	\$455,521

See accompanying notes to the consolidated financial statements

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RENAISSANCERE HOLDINGS LTD. AND SUBSIDIARIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2017

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

NOTE 1. ORGANIZATION

This report on Form 10-Q should be read in conjunction with the Company’s Annual Report on Form 10-K (“Form 10-K”) for the fiscal year ended December 31, 2016.

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, a Bermuda-domiciled reinsurance company, is the Company’s principal reinsurance subsidiary and provides property, casualty and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis. Effective October 1, 2016, each of Renaissance Reinsurance Specialty Risks Ltd. and Platinum Underwriters Bermuda, Ltd. merged into Renaissance Reinsurance, with Renaissance Reinsurance being the sole surviving entity.

Renaissance Reinsurance U.S. Inc. (“Renaissance Reinsurance U.S.”) is a reinsurance company domiciled in the state of Maryland that provides property, casualty and specialty reinsurance coverages to insurers and reinsurers, primarily in the Americas.

RenaissanceRe Underwriting Managers U.S. LLC, a specialty reinsurance agency domiciled in the state of Connecticut, provides specialty treaty reinsurance solutions on both a quota share and excess of loss basis; and writes business on behalf of RenaissanceRe Specialty U.S. Ltd. (“RenaissanceRe Specialty U.S.”), a Bermuda-domiciled reinsurer, which operates subject to U.S. federal income tax, and RenaissanceRe Syndicate 1458 (“Syndicate 1458”). Syndicate 1458 is the Company’s Lloyd’s syndicate. RenaissanceRe Corporate Capital (UK) Limited (“RenaissanceRe CCL”), a wholly owned subsidiary of RenaissanceRe, is Syndicate 1458’s sole corporate member and RenaissanceRe Syndicate Management Ltd. (“RSML”), a wholly owned subsidiary of RenaissanceRe, is the managing agent for Syndicate 1458.

The Company also manages property, casualty 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 and all significant intercompany transactions have been eliminated. Redeemable noncontrolling interest - DaVinciRe represents the interests of external parties with respect to the net income and shareholders’ equity of DaVinciRe. Renaissance Underwriting Managers, Ltd. (“RUM”), a wholly owned subsidiary of RenaissanceRe, acts as exclusive underwriting manager for these joint ventures in return for fee-based income and profit participation.

RenaissanceRe Medici Fund Ltd. (“Medici”) is an exempted fund, incorporated under the laws of Bermuda. Medici’s objective is to seek to invest substantially all of its assets in various insurance based investment instruments that have returns primarily tied to property catastrophe risk. Third party investors have subscribed for a portion of the participating, non-voting common shares of Medici. Because the Company owns a noncontrolling equity interest in, but controls a majority of the outstanding voting power of, Medici’s parent, RenaissanceRe Fund Holdings Ltd. (“Fund Holdings”), the results of Medici and Fund Holdings are consolidated in the Company’s financial statements and all significant inter-company transactions have been eliminated. Redeemable noncontrolling interest - Medici represents the interests of external parties with respect to the net income and shareholders’ equity of Medici.

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

Effective November 13, 2014, the Company incorporated RenaissanceRe Upsilon Fund Ltd. ("Upsilon Fund"), an exempted Bermuda segregated accounts company. Upsilon Fund was formed to provide a fund structure through which third party investors can invest in reinsurance risk managed by the Company. As a segregated accounts company, Upsilon Fund is permitted to establish segregated accounts to invest in and hold identified pools of assets and liabilities. Each pool of assets and liabilities in each segregated account is structured to be ring-fenced from any claims from the creditors of Upsilon Fund's general account and from the creditors of other segregated accounts within Upsilon Fund. Third party investors purchase redeemable, non-voting preference shares linked to specific segregated accounts of Upsilon Fund and own 100% of these shares. Upsilon Fund is an investment company and is considered a VIE. The Company is not considered the primary beneficiary of Upsilon Fund and, as a result, the Company does not consolidate the financial position and results of operations of Upsilon Fund.

Effective November 7, 2016, Fibonacci Reinsurance Ltd. ("Fibonacci Re"), a Bermuda-domiciled SPI, was formed to provide collateralized capacity to Renaissance Reinsurance and its affiliates. Fibonacci Re raised capital from third party investors and the Company, via private placements of participating notes which are listed on the Bermuda Stock Exchange. Fibonacci Re is considered a VIE. The Company is not considered the primary beneficiary of Fibonacci Re and, as a result, the Company does not consolidate the financial position and results of operations of Fibonacci Re.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the Company's significant accounting policies as described in its Form 10-K for the year ended December 31, 2016, except as noted below.

BASIS OF PRESENTATION

These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States ("GAAP") for interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these statements. Certain comparative information has been reclassified to conform to the current presentation. Because of the seasonality of the Company's business, the results of operations and cash flows for any interim period will not necessarily be indicative of the results of operations and cash flows for the full fiscal year or subsequent quarters.

USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The major estimates reflected in the Company's consolidated financial statements include, but are not limited to, the reserve for claims and claim expenses; reinsurance recoverables, including allowances for reinsurance recoverables deemed uncollectible; estimates of written and earned premiums; fair value, including the fair value of investments, financial instruments and derivatives; impairment charges; and the Company's deferred tax valuation allowance.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Improvements to Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 was issued to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and the classification of taxes paid on the statements of cash flows. ASU 2016-09 became effective for the Company in annual and interim periods beginning after December 15, 2016. The cumulative effect of the adoption of ASU 2016-09 was a \$2.2 million increase to opening retained earnings as of January 1, 2017.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also provides guidance on accounting for certain contract costs and will also require new disclosures. ASU 2014-09 was to be effective for public business entities in annual and interim periods beginning after December 15, 2016, however in July 2015, the FASB decided to defer by one year the effective dates of ASU 2014-09, and as a result, ASU 2014-09 will be effective for public business entities in annual and interim periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s consolidated statements of operations and financial position.

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous guidance. ASU 2016-02 is effective for public business entities for annual and interim periods beginning after December 15, 2018. Early application is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s consolidated statements of operations and financial position.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable values by requiring a qualitative assessment to identify impairment, eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the organization has elected to measure the liabilities in accordance with the fair value option, requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and clarifies that the reporting organization should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the organization’s other deferred tax assets. ASU 2016-01 is effective for public business entities in annual and interim periods beginning after December 15, 2017. Earlier adoption is generally not permitted, except for certain specific provisions of ASU 2016-01. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company’s consolidated statements of operations and financial position.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 modifies the recognition of credit losses by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is applicable to financial assets such as loans, debt securities, trade receivables, off-balance sheet credit exposures, reinsurance receivables, and other financial assets that have the contractual right to receive cash. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The Company's invested assets are measured at fair value through net income, and therefore those invested assets would not be impacted by the adoption of ASU 2016-13. The Company has other financial assets, such as reinsurance recoverables, that could be impacted by the adoption of ASU 2016-13. ASU 2016-13 is effective for public business entities that are SEC filers for annual and interim periods beginning after December 15, 2019. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 clarifies the classification of receipts and payments in the statement of cash flows. ASU 2016-15 provides guidance related to (1) settlement and payment of zero coupon debt instruments, (2) contingent consideration, (3) proceeds from settlement of insurance claims, (4) proceeds from settlement of corporate and bank owned life insurance policies, (5) distributions from equity method investees, (6) cash receipts from beneficial interests obtained by a transferor, and (7) general guidelines for cash receipts and payments that have more than one aspect of classification. ASU 2016-15 is effective for public business entities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of cash flows.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”). ASU 2016-16 requires entities to recognize the income tax consequences of intra-entity transfers of assets other than inventory when the transfers occur; this is a change from current guidance which prohibits the recognition of current and deferred income taxes until the underlying assets have been sold to outside entities. ASU 2016-16 is effective for public business entities for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of this guidance; however, it is not expected to have a material impact on the Company's consolidated statements of operations and financial position.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). Among other things, ASU 2017-04 requires the following: (1) the elimination of step 2 of the goodwill impairment test; entities will no longer utilize the implied fair value of their assets and liabilities for purposes of testing goodwill for impairment, (2) the quantitative portion of the goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount; an impairment charge is to be recognized for the excess of carrying amount over fair value, but only to the extent of the amount of goodwill allocated to that reporting unit, and (3) foreign currency translation adjustments are not to be allocated to a reporting unit from an entity's accumulated other comprehensive income; the reporting unit's carrying amount should include only the currently translated balances of the assets and liabilities assigned to the reporting unit. ASU 2017-04 is effective for public business entities that are SEC filers for annual periods, or any interim goodwill impairment tests in annual periods, beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of this guidance; however, it is not

expected to have a material impact on the Company's consolidated statements of operations and financial position.

NOTE 3. INVESTMENTS

Fixed Maturity Investments Trading

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

	June 30, 2017	December 31, 2016
U.S. treasuries	\$2,826,681	\$ 2,617,894
Agencies	83,343	90,972
Municipal	518,912	519,069
Non-U.S. government (Sovereign debt)	173,667	333,224
Non-U.S. government-backed corporate	74,620	133,300
Corporate	2,186,040	1,877,243
Agency mortgage-backed	567,560	462,493
Non-agency mortgage-backed	275,268	258,944
Commercial mortgage-backed	384,610	409,747
Asset-backed	191,563	188,358
Total fixed maturity investments trading	\$7,282,264	\$ 6,891,244

Contractual maturities of fixed maturity investments trading are described in the following table. 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.

June 30, 2017	Amortized Cost	Fair Value
Due in less than one year	\$428,307	\$427,683
Due after one through five years	4,112,662	4,111,191
Due after five through ten years	1,137,632	1,153,811
Due after ten years	168,920	170,578
Mortgage-backed	1,218,486	1,227,438
Asset-backed	191,013	191,563
Total	\$7,257,020	\$7,282,264

Equity Investments Trading

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

	June 30, 2017	December 31, 2016
Financials	\$272,982	\$ 275,065
Communications and technology	42,316	36,770
Industrial, utilities and energy	31,852	30,303
Consumer	22,078	20,501
Healthcare	20,087	17,245
Basic materials	4,090	3,429
Total	\$393,405	\$ 383,313

Pledged Investments

At June 30, 2017, \$2.8 billion of cash and investments at fair value were on deposit with, or in trust accounts for the benefit of, various counterparties, including with respect to the Company's letter of credit facilities (December 31, 2016 - \$2.7 billion). Of this amount, \$888.2 million is on deposit with, or in trust accounts for the benefit of, U.S. state regulatory authorities (December 31, 2016 - \$842.6 million).

Reverse Repurchase Agreements

At June 30, 2017, the Company held \$33.8 million (December 31, 2016 - \$78.7 million) of reverse repurchase agreements. These loans are fully collateralized, are generally outstanding for a short period of time and are presented on a gross basis as part of short term investments on the Company's consolidated balance sheets. The required collateral for these loans typically includes high-quality, readily marketable instruments at a minimum amount of 102% of the loan principal. Upon maturity, the Company receives principal and interest income.

Net Investment Income

The components of net investment income are as follows:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Fixed maturity investments	\$44,356	\$46,091	\$87,775	\$82,097
Short term investments	2,981	1,227	4,705	2,227
Equity investments	889	865	1,700	2,528
Other investments				
Private equity investments	6,611	4,356	14,413	(5,002)
Other	2,899	5,035	6,971	8,344
Cash and cash equivalents	295	209	484	338
	58,031	57,783	116,048	90,532
Investment expenses	(3,868)	(3,659)	(7,560)	(7,545)
Net investment income	\$54,163	\$54,124	\$108,488	\$82,987

Net Realized and Unrealized Gains on Investments

Net realized and unrealized gains on investments are as follows:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Gross realized gains	\$15,249	\$22,661	\$26,710	\$40,411
Gross realized losses	(7,243)	(7,804)	(23,776)	(22,469)
Net realized gains on fixed maturity investments	8,006	14,857	2,934	17,942
Net unrealized gains on fixed maturity investments trading	18,760	44,271	43,395	129,736
Net realized and unrealized losses on investments-related derivatives	(268)	(9,151)	(324)	(28,600)
Net realized gains on equity investments trading	15,146	14,729	36,061	13,911
Net unrealized gains (losses) on equity investments trading	16,469	5,066	19,420	(1,564)
Net realized and unrealized gains on investments	\$58,113	\$69,772	\$101,486	\$131,425

NOTE 4. FAIR VALUE MEASUREMENTS

The use of fair value to measure certain assets and liabilities with resulting unrealized gains or losses is pervasive within the Company's consolidated financial statements. Fair value is defined under accounting guidance currently applicable to the Company to be the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between open market participants at the measurement date. The Company recognizes the change in unrealized gains and losses arising from changes in fair value in its consolidated statements of operations. FASB ASC Topic Fair Value Measurements and Disclosures prescribes a fair value hierarchy that prioritizes the inputs to the respective valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to valuation techniques that use at least one significant input that is unobservable (Level 3). The three levels of the fair value hierarchy are described below:

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

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

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and the Company considers factors specific to the asset or liability.

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

There have been no material changes in the Company's valuation techniques, nor have there been any transfers between Level 1 and Level 2, or Level 2 and 3 during the period represented by these consolidated financial statements.

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

At June 30, 2017	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	\$2,826,681	\$2,826,681	\$—	\$—
Agencies	83,343	—	83,343	—
Municipal	518,912	—	518,912	—
Non-U.S. government (Sovereign debt)	173,667	—	173,667	—
Non-U.S. government-backed corporate	74,620	—	74,620	—
Corporate	2,186,040	—	2,186,040	—
Agency mortgage-backed	567,560	—	567,560	—
Non-agency mortgage-backed	275,268	—	275,268	—
Commercial mortgage-backed	384,610	—	384,610	—
Asset-backed	191,563	—	191,563	—
Total fixed maturity investments	7,282,264	2,826,681	4,455,583	—
Short term investments	1,070,950	—	1,070,950	—
Equity investments trading	393,405	393,405	—	—
Other investments				
Catastrophe bonds	348,353	—	348,353	—
Private equity partnerships (1)	194,331	—	—	—
Senior secured bank loan funds (1)	17,321	—	—	—
Hedge funds (1)	1,207	—	—	—
Total other investments	561,212	—	348,353	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(9,502)	—	—	(9,502)
Derivatives (3)	6,391	210	6,181	—
Other	(5,355)	—	(5,355)	—
Total other assets and (liabilities)	(8,466)	210	826	(9,502)
	\$9,299,365	\$3,220,296	\$5,875,712	\$ (9,502)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at June 30, 2017 was \$5.8 million and \$15.3 million of other assets and other liabilities, respectively.

(3) See "Note 13. Derivative Instruments" for additional information related to the fair value by type of contract, of derivatives entered into by the Company.

At December 31, 2016	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	\$2,617,894	\$2,617,894	\$—	\$—
Agencies	90,972	—	90,972	—
Municipal	519,069	—	519,069	—
Non-U.S. government (Sovereign debt)	333,224	—	333,224	—
Non-U.S. government-backed corporate	133,300	—	133,300	—
Corporate	1,877,243	—	1,877,243	—
Agency mortgage-backed	462,493	—	462,493	—
Non-agency mortgage-backed	258,944	—	258,944	—
Commercial mortgage-backed	409,747	—	409,747	—
Asset-backed	188,358	—	188,358	—
Total fixed maturity investments	6,891,244	2,617,894	4,273,350	—
Short term investments	1,368,379	—	1,368,379	—
Equity investments trading	383,313	383,313	—	—
Other investments				
Catastrophe bonds	335,209	—	335,209	—
Private equity partnerships (1)	191,061	—	—	—
Senior secured bank loan funds (1)	22,040	—	—	—
Hedge funds (1)	1,495	—	—	—
Total other investments	549,805	—	335,209	—
Other assets and (liabilities)				
Assumed and ceded (re)insurance contracts (2)	(13,004)	—	—	(13,004)
Derivatives (3)	(8,922)	(646)	(8,276)	—
Other	(13,105)	—	(13,105)	—
Total other assets and (liabilities)	(35,031)	(646)	(21,381)	(13,004)
	\$9,157,710	\$3,000,561	\$5,955,557	\$ (13,004)

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

(2) Included in assumed and ceded (re)insurance contracts at December 31, 2016 was \$4.4 million and \$17.4 million of other assets and other liabilities, respectively.

(3) See “Note 13. 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, municipal, non-U.S. government, non-U.S. government-backed corporate, corporate, agency mortgage-backed, non-agency mortgage-backed, commercial mortgage-backed and asset-backed.

The Company's fixed maturity investments are primarily priced using pricing services, such as index providers and pricing vendors, as well as broker quotations. In general, the pricing vendors provide pricing for a high volume of liquid securities that are actively traded. For securities that do not trade on an

exchange, the pricing services generally utilize market data and other observable inputs in matrix pricing models to determine month end prices. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data and industry and economic events. Index pricing generally relies on market traders as the primary source for pricing; however, models are also utilized to provide prices for all index eligible securities. The models use a variety of observable inputs such as benchmark yields, transactional data, dealer runs, broker-dealer quotes and corporate actions. Prices are generally verified using third party data. Securities which are priced by an index provider are generally included in the index.

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

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

U.S. treasuries

Level 1 - At June 30, 2017, the Company's U.S. treasuries fixed maturity investments were primarily priced by pricing services and had a weighted average effective yield of 1.5% and a weighted average credit quality of AA (December 31, 2016 - 1.4% 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, 2017, the Company's agency fixed maturity investments had a weighted average effective yield of 2.0% and a weighted average credit quality of AA (December 31, 2016 - 2.0% and AA, respectively). The issuers of the Company's agency fixed maturity investments primarily consist of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other agencies. Fixed maturity investments included in agencies are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources and integrate other observations from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The fair value of each security is individually computed using analytical models which incorporate option adjusted spreads and other daily interest rate data.

Municipal

Level 2 - At June 30, 2017, the Company's municipal fixed maturity investments had a weighted average effective yield of 1.9% and a weighted average credit quality of AA (December 31, 2016 - 2.4% and AA, respectively). The Company's municipal fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information regarding the security from third party sources such as trustees, paying agents or issuers. 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 over widely accepted market benchmarks.

Non-U.S. government (Sovereign debt)

Level 2 - At June 30, 2017, the Company's non-U.S. government fixed maturity investments had a weighted average effective yield of 1.7% and a weighted average credit quality of AAA (December 31, 2016 - 1.6% and AAA, 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 that employ proprietary discounted cash flow models to value the securities. Key quantitative inputs for these models are daily observed benchmark curves for treasury, swap and high issuance credits. The pricing services then apply a credit spread for each security which is developed by in-depth and real time market analysis. For securities in which trade volume is low, the pricing services utilize data from more frequently traded securities with similar attributes. These models may also be supplemented by daily market and credit research for international markets.

Non-U.S. government-backed corporate

Level 2 - At June 30, 2017, the Company's non-U.S. government-backed corporate fixed maturity investments had a weighted average effective yield of 1.8% and a weighted average credit quality of AA (December 31, 2016 - 1.5% and AAA, respectively). Non-U.S. government-backed fixed maturity investments are primarily priced by pricing services that 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, 2017, the Company's corporate fixed maturity investments principally consisted of U.S. and international corporations and had a weighted average effective yield of 3.6% and a weighted average credit quality of BBB (December 31, 2016 - 3.7% and BBB, respectively). The Company's corporate fixed maturity investments are primarily priced by pricing services. When evaluating these securities, the pricing services gather information from market sources regarding the issuer of the security and obtain credit data, as well as other observations, from markets and sector news. Evaluations are updated by obtaining broker dealer quotes and other market information including actual trade volumes, when available. The pricing services also consider the specific terms and conditions of the securities, including any specific features which may influence risk. In certain instances, securities are individually evaluated using a spread which is added to the U.S. treasury curve or a security specific swap curve as appropriate.

Agency mortgage-backed

Level 2 - At June 30, 2017, the Company's agency mortgage-backed fixed maturity investments included agency residential mortgage-backed securities with a weighted average effective yield of 3.0%, a weighted average credit quality of AA and a weighted average life of 6.6 years (December 31, 2016 - 2.9%, AA and 6.9 years, respectively). The Company's agency mortgage-backed fixed maturity investments are primarily priced by pricing services using a mortgage pool specific model which utilizes daily inputs from the active to be announced market which is very liquid, as well as the U.S. treasury market. The model also utilizes additional information, such as the weighted average maturity, weighted average coupon and other available pool level data which is provided by the sponsoring agency. Valuations are also corroborated with daily active market quotes.

Non-agency mortgage-backed

Level 2 - The Company's non-agency mortgage-backed fixed maturity investments include non-agency prime residential mortgage-backed and non-agency Alt-A fixed maturity investments. The Company has no fixed maturity investments that were classified as sub-prime at the time of purchase held in its fixed maturity investments portfolio. At June 30, 2017, the Company's non-agency prime residential mortgage-backed fixed maturity investments had a weighted average effective yield of 4.0%, a weighted average credit quality of non-investment grade, and a weighted average life of 5.1 years (December 31, 2016 - 4.3%, BBB and 5.1 years, respectively). The Company's non-agency Alt-A fixed maturity investments held at June 30, 2017 had a weighted average effective yield of 4.4%, a weighted average credit quality of non-investment grade and a weighted average life of 6.1 years (December 31, 2016 - 5.2%, non-investment grade and 6.0 years, respectively). Securities held in these sectors are primarily priced by pricing services using an option adjusted spread model or other relevant models, which principally utilize inputs including benchmark yields,

available trade information or broker quotes, and issuer spreads. The pricing services also review collateral prepayment speeds, loss severity and delinquencies among other collateral performance indicators for the securities valuation, when applicable.

Commercial mortgage-backed

Level 2 - At June 30, 2017, the Company's commercial mortgage-backed fixed maturity investments had a weighted average effective yield of 2.8%, a weighted average credit quality of AAA, and a weighted average life of 4.8 years (December 31, 2016 - 2.6%, AAA and 3.9 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 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 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, 2017, 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 2.7 years (December 31, 2016 - 2.3%, AAA and 2.6 years, respectively). The underlying collateral for the Company's asset-backed fixed maturity investments primarily consists of bank loans, 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 - At June 30, 2017, the Company's short term investments had a weighted average effective yield of 1.1% and a weighted average credit quality of AAA (December 31, 2016 - 0.7% and AAA, respectively). The fair value of the Company's portfolio of short term investments is generally determined using amortized cost which approximates fair value and, in certain cases, in a manner similar to the Company's fixed maturity investments noted above.

Equity Investments, Classified as Trading

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

Other investments

Catastrophe bonds

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

Other assets and liabilities

Derivatives

Level 1 and Level 2 - Other assets and liabilities include certain derivatives entered into by the Company. The fair value of these transactions includes certain exchange traded futures contracts which are considered Level 1, and foreign currency contracts 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. For credit derivatives, these inputs include credit spreads, credit ratings of the underlying referenced security, the risk free rate and the contract term. For foreign currency contracts, these inputs include spot rates and interest rate curves.

Other

Level 2 - The liabilities measured at fair value and included in Level 2 at June 30, 2017 of \$5.4 million are comprised of cash settled restricted stock units ("CSRSU") that form part of the Company's compensation program. The fair value of the Company's CSRSUs is determined using observable exchange traded prices for the Company's common shares.

Level 3 Assets and Liabilities Measured at Fair Value

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

At June 30, 2017	Fair Value (Level 3)	Valuation Technique	Unobservable (U) and Observable (O) Inputs	Low	High	Weighted Average or Actual
Other assets and (liabilities)						
Assumed and ceded (re)insurance contracts	\$ 809	Internal valuation model	Bond price (U)	\$ 101.59	\$ 111.15	\$ 106.94
			Liquidity discount (U)	n/a	n/a	1.3 %
Assumed and ceded (re)insurance contracts	(10,311)	Internal valuation model	Net undiscounted cash flows (U)	n/a	n/a	\$(12,715)
			Expected loss ratio (U)	n/a	n/a	30.6 %
			Net acquisition expense ratio (O)	n/a	n/a	(17.4)%
			Contract period (O)	2.0 years	4.7 years	4.5 years
			Discount rate (U)	n/a	n/a	1.9 %
Total other assets and (liabilities)	\$(9,502)					

Fixed Maturity Investments

Corporate

Level 3 - Previously, the Company's corporate fixed maturity investments included an investment in the preferred equity of an insurance holding company. The Company measured the fair value of this investment using a discounted cash flow model and ultimately sold this investment during the year ended December 31, 2016.

Other assets and liabilities

Assumed and ceded (re)insurance contracts

Level 3 - At June 30, 2017, the Company had a \$0.8 million net asset related to an assumed reinsurance contract accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on indicative pricing obtained from independent brokers and pricing vendors for similarly structured marketable securities. The most significant unobservable inputs include prices for similar marketable securities and a liquidity premium. The Company considers the prices for similar securities to be unobservable, as there is little, if any market activity for these similar assets. In addition, the Company has estimated a liquidity premium that would be required if the Company attempted to effectively exit its position by executing a short sale of these securities. Generally, an increase in the prices for similar marketable securities or a decrease in the liquidity premium

would result in an increase in the expected profit and ultimate fair value of this assumed reinsurance contract.

Level 3 - At June 30, 2017, the Company had a \$10.3 million net liability related to assumed and ceded (re)insurance contracts accounted for at fair value, with the fair value obtained through the use of an internal valuation model. The inputs to the internal valuation model are principally based on proprietary data as observable market inputs are generally not available. The most significant unobservable inputs include the assumed and ceded expected net cash flows related to the contracts, including the expected premium, acquisition expenses and losses; the expected loss ratio and the relevant discount rate used to present value the net cash flows. The contract period and acquisition expense ratio are considered observable input as each is defined in the contract. The negative acquisition expense ratio used to determine the fair value of the contracts at June 30, 2017 is the result of override commissions on the contracts being higher than the gross acquisition expenses. Generally, an increase in the net expected cash flows and expected term of the contract and a decrease in the discount rate, expected loss ratio or acquisition expense ratio, would result in an increase in the expected profit and ultimate fair value of these assumed and ceded (re)insurance contracts.

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.

	Other assets and (liabilities)
Balance - April 1, 2017	\$ (12,135)
Total realized and unrealized gains	
Included in other income	2,319
Purchases	314
Balance - June 30, 2017	\$ (9,502)

	Other assets and (liabilities)
Balance - January 1, 2017	\$ (13,004)
Total realized and unrealized gains	
Included in other income	3,390
Purchases	112
Balance - June 30, 2017	\$ (9,502)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed maturity investments	Other assets (liabilities)	Total
Balance - April 1, 2016	\$7,500	\$ (4,724)	\$2,776
Total realized and unrealized gains			
Included in other income	—	2,092	2,092
Purchases	—	(48)	(48)
Settlements	(7,500)	—	(7,500)
Balance - June 30, 2016	\$—	\$ (2,680)	\$ (2,680)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed maturity investments	Other assets (liabilities)	Total
Balance - January 1, 2016	\$7,618	\$ (5,899)	\$1,719
Total realized and unrealized (losses) gains			
Included in net investment income	(118)	—	(118)

Included in other income	—	3,792	3,792
Purchases	—	(573)	(573)
Settlements	(7,500)	—	(7,500)
Balance - June 30, 2016	\$—	\$ (2,680)	\$ (2,680)

Financial Instruments Disclosed, But Not Carried, at Fair Value

The Company uses various financial instruments in the normal course of its business. The Company's insurance contracts are excluded from the fair value of financial instruments accounting guidance, unless the Company elects the fair value option, and therefore, are not included in the amounts discussed herein. The carrying values of cash and cash equivalents, accrued investment income, 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.

Debt

Included on the Company's consolidated balance sheet at June 30, 2017 were debt obligations of \$988.9 million (December 31, 2016 - \$948.7 million). At June 30, 2017, the fair value of the Company's debt obligations was \$1,021.3 million (December 31, 2016 - \$964.8 million).

The fair value of the Company's debt obligations is determined using indicative market pricing obtained from third-party service providers, which the Company considers Level 2 in the fair value hierarchy. There have been no changes during the period in the Company's valuation technique used to determine the fair value of the Company's debt obligations.

The Fair Value Option for Financial Assets and Financial Liabilities

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

	June 30, 2017	December 31, 2016
Other investments	\$561,212	\$ 549,805
Other assets	\$5,756	\$ 4,379
Other liabilities	\$15,258	\$ 17,383

Included in net investment income for the three and six months ended June 30, 2017 were net unrealized gains of \$5.6 million and \$12.5 million related to the changes in fair value of other investments (2016 - losses of \$5.8 million and \$3.2 million). Included in other income for the three and six months ended June 30, 2017 were net unrealized gains of \$Nil and \$Nil related to the changes in the fair value of other assets and liabilities (2016 - \$Nil and \$Nil).

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 as a practical expedient:

At June 30, 2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Minimum Days)	Redemption Notice Period (Maximum Days)
Private equity partnerships	\$194,331	\$ 310,367	See below	See below	See below
Senior secured bank loan funds	17,321	26,102	See below	See below	See below
Hedge funds	1,207	—	See below	See below	See below
Total other investments measured using net asset valuations	\$212,859	\$ 336,469			

Private equity partnerships – The Company's investments in private equity partnerships included 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 Company generally has no right to redeem its interest in any of these private equity

partnerships in advance of dissolution of the applicable private equity partnership. Instead, the nature of these investments is that distributions are received by the Company in connection with the liquidation of the underlying assets of the respective private equity partnership. It is estimated that the majority of the underlying assets of the limited partnerships would liquidate over 7 to 10 years from inception of the respective limited partnership. Senior secured bank loan funds – At June 30, 2017, the Company had \$17.3 million invested in closed end funds which invest primarily in loans. The Company has no right to redeem its investment in these funds. It is estimated that the majority of the underlying assets in these closed end funds would liquidate over 4 to 5 years from inception of the applicable fund.

Hedge funds – The Company invests in hedge funds that pursue multiple strategies. The Company's investments in hedge funds at June 30, 2017 were \$1.2 million of so called "side pocket" investments which are not redeemable at the option of the shareholder. The Company will retain its interest in the side pocket investments until the underlying investments attributable to such side pockets are liquidated, realized or deemed realized at the discretion of the fund manager.

NOTE 5. 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 payments of additional premiums, for reinstatement premiums and for lost no-claims bonuses, which are incurred when losses are ceded to the respective reinsurance contracts. The Company remains liable to the extent that any reinsurance company fails to meet its obligations. The following table sets forth the effect of reinsurance and retrocessional activity on premiums written and earned and on net claims and claim expenses incurred:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Premiums written				
Direct	\$67,805	\$57,541	\$141,213	\$100,717
Assumed	759,610	701,587	1,608,292	1,520,544
Ceded	(271,670)	(239,212)	(649,624)	(589,670)
Net premiums written	\$555,745	\$519,916	\$1,099,881	\$1,031,591
Premiums earned				
Direct	\$56,357	\$37,936	\$114,525	\$71,076
Assumed	520,347	464,540	1,019,346	921,181
Ceded	(194,439)	(151,074)	(385,561)	(287,249)
Net premiums earned	\$382,265	\$351,402	\$748,310	\$705,008
Claims and claim expenses				
Gross claims and claim expenses incurred	\$189,903	\$224,852	\$441,707	\$386,850
Claims and claim expenses recovered	(47,316)	(57,102)	(106,039)	(92,495)
Net claims and claim expenses incurred	\$142,587	\$167,750	\$335,668	\$294,355

NOTE 6. RESERVE FOR CLAIMS AND CLAIM EXPENSES

The Company believes the most significant accounting judgment made by management is its estimate of claims and claim expense reserves. Claims and claim expense reserves represent estimates, including actuarial and statistical projections at a given point in time, of the ultimate settlement and administration costs for unpaid claims and claim expenses arising from the insurance and reinsurance contracts the

Company sells. The Company establishes its claims and claim expense reserves by taking claims reported to the Company by insureds and ceding companies, but which have not yet been paid (“case reserves”), adding estimates for the anticipated cost of claims incurred but not yet reported to the Company, or incurred but not enough reported to the Company (collectively referred to as “IBNR”) and, if deemed necessary, adding costs for additional case reserves which represent the Company’s estimates for claims related to specific contracts previously reported to the Company which it believes may not be adequately estimated by the client as of that date, or adequately covered in the application of IBNR.

The following table summarizes the Company’s claims and claim expense reserves by segment, allocated between case reserves, additional case reserves and IBNR:

At June 30, 2017	Case Reserves	Additional Case Reserves	IBNR	Total
Property	\$221,898	\$ 167,510	\$216,163	\$605,571
Casualty and Specialty	635,834	111,021	1,619,915	2,366,770
Other	2,532	—	14,933	17,465
Total	\$860,264	\$ 278,531	\$1,851,011	\$2,989,806

At December 31, 2016	Case Reserves	Additional Case Reserves	IBNR	Total
Property	\$214,954	\$ 186,308	\$226,512	\$627,774
Casualty and Specialty	591,705	105,419	1,498,002	2,195,126
Other	6,935	—	18,459	25,394
Total	\$813,594	\$ 291,727	\$1,742,973	\$2,848,294

Activity in the liability for unpaid claims and claim expenses is summarized as follows:

Six months ended June 30,	2017	2016
Net reserves as of January 1	\$2,568,730	\$2,632,519
Net incurred related to:		
Current year	351,766	325,214
Prior years	(16,098)	(30,859)
Total net incurred	335,668	294,355
Net paid related to:		
Current year	19,885	11,070
Prior years	285,046	297,716
Total net paid	304,931	308,786
Foreign exchange	19,753	4,149
Net reserves as of June 30	2,619,220	2,622,237
Reinsurance recoverable as of June 30	370,586	222,006
Gross reserves as of June 30	\$2,989,806	\$2,844,243

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

The Company’s estimates of claims and claim expense reserves are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends and other variable factors. Some, but not all, of the Company’s reserves are further subject to the uncertainty inherent in actuarial methodologies and estimates. Because a reserve estimate is simply an insurer’s estimate at a point in time of its ultimate liability, and because there are numerous factors that affect reserves and claims payments that cannot be determined with certainty in advance, the Company’s ultimate payments will vary, perhaps materially, from its estimates of reserves. If the Company determines in a subsequent period that adjustments to its previously established reserves are appropriate, such adjustments are recorded in the period in which they are identified. On a net basis, the Company’s cumulative favorable or unfavorable

development is generally reduced by offsetting changes in its reinsurance recoverables, as well as changes to loss related premiums such as reinstatement premiums and redeemable noncontrolling interest for changes in claims and claim expenses that impact DaVinciRe, all of which generally move in the opposite direction to changes in the Company's ultimate claims and claim expenses.

The following table details the Company's prior year development by segment of its liability for unpaid claims and claim expenses:

Six months ended June 30,	2017 (Favorable) adverse development	2016 (Favorable) adverse development
Property	\$ (24,800)	\$ (18,989)
Casualty and Specialty	9,257	(11,873)
Other	(555)	3
Total favorable development of prior accident years net claims and claim expenses	\$ (16,098)	\$ (30,859)

Changes to prior year estimated claims reserves increased the Company's net income by \$16.1 million during the six months ended June 30, 2017, (2016 - increased the Company's net income by \$30.9 million), excluding the consideration of changes in reinstatement, adjustment or other premium changes, profit commissions, redeemable noncontrolling interest - DaVinciRe and income tax.

Property Segment

The following table details the development of the Company's liability for unpaid claims and claim expenses for its Property segment, allocated between large and small catastrophe net claims and claim expenses and attritional net claims and claim expenses, included in the other line item:

Six months ended June 30,	2017 (Favorable) adverse development	2016 (Favorable) adverse development
Catastrophe net claims and claim expenses		
Large catastrophe events		
New Zealand Earthquake (2011)	\$ 5,807	\$ —
New Zealand Earthquake (2010)	4,061	2,962
April and May U.S. Tornadoes (2011)	(4,153)	(1,408)
Other	(3,864)	(500)
Total large catastrophe events	1,851	1,054
Small catastrophe events		
Fort McMurray Wildfire (2016)	(5,848)	—
Tianjin Explosion (2015)	(4,896)	—
U.S. PCS 13/14 Wind and Thunderstorm (2013)	(3,906)	(6,260)
Other	(12,844)	(13,783)
Total small catastrophe events	(27,494)	(20,043)
Total catastrophe net claims and claim expenses	(25,643)	(18,989)
Actuarial assumption changes	843	—
Total net favorable development of prior accident years net claims and claim expenses	\$ (24,800)	\$ (18,989)

The net favorable development of prior accident years net claims and claim expenses within the Company's Property segment in the six months ended June 30, 2017 of \$24.8 million was comprised of net adverse development of \$1.9 million related to large catastrophe events, net favorable development of \$27.5 million

related to small catastrophe events and \$0.8 million of adverse development associated with actuarial assumption changes. Included in net adverse development of prior accident years net claims and claim expenses from large events was adverse development of \$5.8 million related to the 2011 New Zealand Earthquake and \$4.1 million related to the 2010 New Zealand Earthquake due to increases in the estimated expected losses associated with these events. Partially offsetting these events was favorable development of \$4.2 million and \$3.9 million related to the 2011 April and May U.S. Tornadoes and a number of other events, respectively, due to reductions in the estimated ultimate losses associated with these events. Included in net favorable development of prior accident years net claims and claims expenses from small events was a reduction in the estimated ultimate losses associated with the 2016 Fort McMurray Wildfire of \$5.8 million, the 2015 Tianjin Explosion of \$4.9 million and certain 2013 U.S. wind and thunderstorm events of \$3.9 million. In addition, the Company's Property segment experienced net favorable development of \$12.8 million associated with a number of other small catastrophe events related to lines of business where the Company principally estimates net claims and claim expenses using traditional actuarial methods.

The net favorable development of prior accident years net claims and claim expenses within the Company's Property segment in the six months ended June 30, 2016 of \$19.0 million was comprised of net adverse development of \$1.1 million from large catastrophe events due principally to an increase in the estimated ultimate loss for the 2010 New Zealand Earthquake, and net favorable development of \$20.0 million related to small catastrophe events related to lines of business where the Company principally estimates net claims and claim expenses using traditional actuarial methods.

Casualty and Specialty Segment

The following table details the development of the Company's liability for unpaid claims and claim expenses for its Casualty and Specialty segment:

Six months ended June 30,	2017 (Favorable) adverse development	2016 (Favorable) adverse development
Actuarial methods - actual reported claims lower than expected claims	\$ (21,762)	\$ (5,755)
Ogden Rate change	33,481	—
Actuarial assumption changes	(2,462)	(6,118)
Total adverse (favorable) development of prior accident years net claims and claim expenses	\$ 9,257	\$ (11,873)

The net adverse development of prior accident years net claims and claim expenses within the Company's Casualty and Specialty segment in the six months ended June 30, 2017 of \$9.3 million was driven by \$33.5 million of adverse development associated with the change in the discount rate used to calculate lump sum awards in U.K. bodily injury cases (the "Ogden Rate"), from 2.5%, to minus 0.75%. Notwithstanding the impact of the Ogden Rate change, we experienced \$21.8 million of net favorable development in the six months ended June 30, 2017 related to actual reported losses coming in lower than expected on attritional net claims and claim expenses across a number of lines of business and \$2.5 million of net favorable development associated with actuarial assumption changes.

The net favorable development of prior accident years net claims and claim expenses within the Company's Casualty and Specialty segment in the six months ended June 30, 2016 of \$11.9 million was driven by \$5.8 million of favorable development related to actual reported net claims and claim expenses coming in lower than expected on prior accident years events and \$6.1 million of favorable development associated with actuarial assumption changes.

NOTE 7. DEBT AND CREDIT FACILITIES

Except as noted below, there have been no material changes to the Company's debt and credit facilities as described in its Form 10-K for the year ended December 31, 2016.

Debt Obligations

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

	June 30, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.450% Senior Notes due 2027	\$296,400	\$295,053	\$—	\$—
3.700% Senior Notes due 2025	300,327	297,132	291,750	296,948
5.75% Senior Notes due 2020	268,228	249,106	270,875	248,941
Series B 7.50% Senior Notes due 2017	—	—	257,500	255,352
4.750% Senior Notes due 2025 (DaVinciRe) (1)	156,386	147,575	144,675	147,422
	\$1,021,341	\$988,866	\$964,800	\$948,663

RenaissanceRe owns a noncontrolling economic interest in its joint venture DaVinciRe. Because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe (1) are included in the consolidated financial statements of RenaissanceRe. However, RenaissanceRe does not guarantee or provide credit support for DaVinciRe and RenaissanceRe's financial exposure to DaVinciRe is limited to its investment in DaVinciRe's shares and counterparty credit risk arising from reinsurance transactions.

3.450% Senior Notes due 2027 of RenaissanceRe Finance

On June 29, 2017, RenaissanceRe Finance issued \$300.0 million of its 3.450% Senior Notes due July 1, 2027, with interest on the notes payable on July 1 and January 1 of each year. The notes are fully and unconditionally guaranteed by RenaissanceRe and may be redeemed by RenaissanceRe Finance prior to maturity, subject to the payment of a "make-whole" premium if the notes are redeemed prior to April 1, 2027. The notes contain various covenants, including limitations on mergers and consolidations, and restrictions as to the disposition of, and the placing of liens on, stock of designated subsidiaries. The net proceeds from the offering of the notes are to be used for general corporate purposes. Series B 7.50% Senior Notes due 2017 of Platinum Underwriters Finance, Inc.

On June 1, 2017, the Company repaid in full at maturity an aggregate principal amount of \$250.0 million, plus applicable accrued interest, of its Series B 7.50% Senior Notes due 2017 assumed in connection with the acquisition of Platinum and originally issued by Platinum Underwriters Finance, Inc.

Credit Facilities

The outstanding amounts issued or drawn under each of the Company's significant credit facilities is set forth below:

At June 30, 2017	Issued or Drawn
RenaissanceRe Revolving Credit Facility	\$—
Uncommitted Standby Letter of Credit Facility with Wells Fargo	105,892
Uncommitted Standby Letter of Credit Facility with NAB	4,525
Bilateral Letter of Credit Facility with Citibank Europe	206,383
Funds at Lloyd's Letter of Credit Facilities	
Renaissance Reinsurance FAL Facility	180,000
Total credit facilities in U.S. dollars	\$496,800
Funds at Lloyd's Letter of Credit Facilities	
Specialty Risks FAL Facility	£10,000
Total credit facilities in British Pounds	£10,000

Funds at Lloyd's Letter of Credit Facilities

Effective as of May 25, 2017, Renaissance Reinsurance entered into an amendment to its letter of credit facility with Bank of Montreal ("BMO"), Citibank Europe plc, ("CEP"), and ING Bank N.V. ("ING") as lenders (the "Renaissance Reinsurance FAL Facility"), which provided for the issuance by the lenders of two letters of credit to support business written by Syndicate 1458 with stated amounts of \$380.0 million and £90.0 million, respectively. Pursuant to the amendment, the stated amount of the \$380.0 million letter of credit was reduced to \$180.0 million and the £90.0 million letter of credit was cancelled. In addition, pursuant to the amendment, Renaissance Reinsurance may request that the Renaissance Reinsurance FAL Facility be amended to increase the stated amount of the letter of credit, or issue a new letter or credit denominated in Pounds, in an aggregate amount for all such increases or issuances not to exceed \$75.0 million or the equivalent thereof. All other terms and conditions of the Renaissance Reinsurance FAL Facility remained the same.

NOTE 8. NONCONTROLLING INTERESTS

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

	June 30, 2017	December 31, 2016
Redeemable noncontrolling interest - DaVinciRe	\$1,019,918	\$ 994,458
Redeemable noncontrolling interest - Medici	222,165	181,136
Redeemable noncontrolling interests	\$1,242,083	\$ 1,175,594

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

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Redeemable noncontrolling interest - DaVinciRe	\$36,432	\$28,288	\$68,341	\$71,252
Redeemable noncontrolling interest - Medici	1,180	2,347	3,598	3,974
Net income attributable to redeemable noncontrolling interests	\$37,612	\$30,635	\$71,939	\$75,226

Redeemable Noncontrolling Interest – DaVinciRe

In October 2001, the Company formed DaVinciRe and DaVinci with other equity investors. RenaissanceRe owns a noncontrolling economic interest in DaVinciRe; however, because RenaissanceRe controls a majority of DaVinciRe's outstanding voting rights, the consolidated financial statements of DaVinciRe are included in the consolidated financial statements of the Company. The portion of DaVinciRe's earnings owned by third parties is recorded in the consolidated statements of operations as net income attributable to redeemable noncontrolling interests. The Company's noncontrolling economic ownership in DaVinciRe was 22.6% at June 30, 2017 (December 31, 2016 - 24.0%).

DaVinciRe shareholders are party to a 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 January 1 of the following year. The repurchase price is generally subject to a true-up for potential development on outstanding loss reserves after settlement of all claims relating to the applicable years.

2016

During January 2016, DaVinciRe redeemed a portion of its outstanding shares from certain existing DaVinciRe shareholders, including RenaissanceRe, while new DaVinciRe shareholders purchased shares in DaVinciRe from RenaissanceRe. The net redemption as a result of these transactions was \$100.0 million. In connection with the redemption, DaVinciRe retained a \$10.0 million holdback. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 24.0%, effective January 1, 2016.

2017

During January 2017, DaVinciRe redeemed \$75.0 million of its outstanding shares from certain existing DaVinciRe shareholders, including RenaissanceRe. In connection with the redemption, DaVinciRe retained a \$7.5 million holdback. In addition, RenaissanceRe sold an aggregate of \$24.0 million of its shares in DaVinciRe to an existing shareholder and a new shareholder. The Company's noncontrolling economic ownership in DaVinciRe subsequent to these transactions was 22.6%, effective January 1, 2017. The Company expects its noncontrolling economic ownership in DaVinciRe to fluctuate over time.

See "Note 16. Subsequent Events" for additional information related to DaVinciRe share transactions subsequent to June 30, 2017.

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

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Beginning balance	\$986,646	\$926,141	\$994,458	\$930,955
Redemption of shares from redeemable noncontrolling interest	(3,160)	(986)	(66,802)	(91,804)
Sale of shares to redeemable noncontrolling interests	—	—	23,921	43,040
Net income attributable to redeemable noncontrolling interest	36,432	28,288	68,341	71,252
Ending balance	\$1,019,918	\$953,443	\$1,019,918	\$953,443

Redeemable Noncontrolling Interest - RenaissanceRe Medici Fund Ltd. (“Medici”)

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

2016

During 2016, third-party investors subscribed for \$79.5 million and redeemed \$21.7 million of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company’s noncontrolling economic ownership in Medici was 36.5%, effective December 31, 2016.

2017

During the six months ended June 30, 2017, third-party investors subscribed for \$63.3 million and redeemed \$25.9 million of the participating, non-voting common shares of Medici. As a result of these net subscriptions, the Company’s noncontrolling economic ownership in Medici was 32.3% at June 30, 2017. The Company expects its noncontrolling economic ownership in Medici to fluctuate over time.

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

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Beginning balance	\$201,345	\$155,196	\$181,136	\$115,009
Redemption of shares from redeemable noncontrolling interest	(15,285)	(6,400)	(25,910)	(7,340)
Sale of shares to redeemable noncontrolling interests	34,925	17,817	63,341	57,317
Net income attributable to redeemable noncontrolling interest	1,180	2,347	3,598	3,974
Ending balance	\$222,165	\$168,960	\$222,165	\$168,960

NOTE 9. VARIABLE INTEREST ENTITIES

Upsilon RFO

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

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

Upsilon RFO is considered a VIE as it has insufficient equity capital to finance its activities without additional financial support. The Company is the primary beneficiary of Upsilon RFO as it has the power over the activities that most significantly impact the economic performance of Upsilon RFO and has the obligation to absorb expected losses and the right to receive expected benefits that could be significant to Upsilon RFO, in accordance with the accounting guidance. As a result, the Company consolidates Upsilon RFO and all significant inter-company transactions have been eliminated. Other than its equity investment in Upsilon RFO, the Company has not provided financial or other support to Upsilon RFO that it was not contractually required to provide.

2016

During 2016, Upsilon RFO returned \$242.5 million of capital to its investors, including \$59.8 million to the Company. In addition, during 2016, \$166.6 million of Upsilon RFO non-voting preference shares were issued to existing investors therein, including \$55.2 million to the Company. At December 31, 2016, the Company's participation in the risks assumed by Upsilon RFO was 28.8%.

2017

During the six months ended June 30, 2017, Upsilon RFO returned \$41.8 million of capital to its investors, including \$9.5 million to the Company. In addition, during the six months ended June 30, 2017, \$134.1 million of Upsilon RFO non-voting preference shares were issued to existing investors therein, including \$9.5 million to the Company, and an existing third party investor purchased \$7.5 million of Upsilon RFO non-voting preference shares from the Company. At June 30, 2017, the Company's participation in the risks assumed by Upsilon RFO was 16.6%.

At June 30, 2017, the Company's consolidated balance sheet included total assets and total liabilities of Upsilon RFO of \$339.1 million and \$339.1 million, respectively (December 31, 2016 - \$193.0 million and \$193.0 million, respectively).

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

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

Upon issuance of a series of notes by Mona Lisa Re, all of the proceeds from the issuance were deposited into collateral accounts, separated by series, to fund any potential obligation under the reinsurance agreements entered into with Renaissance Reinsurance and/or DaVinci underlying such series of notes. The outstanding principal amount of each series of notes generally will be returned to holders of such notes upon the expiration of the risk period underlying such notes, unless an event occurs which causes a loss under the applicable series of notes, in which case the amount returned will be reduced by such noteholder's pro rata share of such loss, as specified in the applicable governing documents of such notes. In addition, holders of such notes are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each series of notes.

The Company concluded that Mona Lisa Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. The Company evaluated its relationship with Mona Lisa Re and concluded it does not have a variable interest in Mona Lisa Re. As a result, the financial position and results of operations of Mona Lisa Re are not consolidated by the Company. The Company has not provided financial or other support to Mona Lisa Re that it was not contractually required to provide.

At June 30, 2017, the total assets and total liabilities of Mona Lisa Re were \$181.2 million and \$181.2 million, respectively (December 31, 2016 - \$184.2 million and \$184.2 million, respectively).

The only transactions related to Mona Lisa Re that are recorded in the Company's consolidated financial statements are the ceded reinsurance agreements entered into by Renaissance Reinsurance and DaVinci which are accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance. Renaissance Reinsurance and DaVinci have together entered into ceded reinsurance contracts with Mona Lisa Re with gross premiums ceded of \$0.1 million and \$37 thousand, respectively, during the six months ended June 30, 2017 (2016 - \$0.1 million and \$0.1 million, respectively). In addition, Renaissance Reinsurance and DaVinci recognized ceded premiums earned related to the ceded reinsurance contracts with Mona Lisa Re of \$3.6 million and \$2.5 million, respectively, during the six months ended June 30, 2017 (2016 - \$3.6 million and \$2.5 million, respectively).

Fibonacci Re

Effective November 7, 2016, Fibonacci Re, a Bermuda-domiciled SPI, was formed to provide collateralized capacity to Renaissance Reinsurance and its affiliates.

Upon issuance of a series of notes by Fibonacci Re, all of the proceeds from the issuance are deposited into collateral accounts, separated by series, to fund any potential obligation under the reinsurance agreements entered into with Renaissance Reinsurance underlying such series of notes. The outstanding principal amount of each series of notes generally will be returned to holders of such notes upon the expiration of the risk period underlying such notes, unless an event occurs which causes a loss under the applicable series of notes, in which case the amount returned will be reduced by such noteholder's pro rata share of such loss, as specified in the applicable governing documents of such notes. In addition, holders of such notes are generally entitled to interest payments, payable quarterly, as determined by the applicable governing documents of each series of notes. RUM receives an origination and structuring fee in connection with the formation and operation of Fibonacci Re.

The Company concluded that Fibonacci Re meets the definition of a VIE as it does not have sufficient equity capital to finance its activities. The Company evaluated its relationship with Fibonacci Re and concluded it is not the primary beneficiary of Fibonacci Re as it does not have power over the activities that most significantly impact the economic performance of Fibonacci Re. As a result, the Company does not consolidate the financial position or results of operations of Fibonacci Re.

The only transactions related to Fibonacci Re that will be recorded in the Company's consolidated financial statements will be the ceded reinsurance agreements entered into by Renaissance Reinsurance that are accounted for as prospective reinsurance under FASB ASC Topic Financial Services - Insurance, and the fair value of the participating notes owned by the Company. Other than its investment in the participating notes of Fibonacci Re, the Company has not provided financial or other support to Fibonacci Re that it was not contractually required to provide.

Effective with the risk periods incepting on January 1, 2017 and June 1, 2017, Fibonacci Re raised \$140.0 million and \$45.0 million, respectively, of capital from third party investors and the Company, via private placements of participating notes which are listed on the Bermuda Stock Exchange. The fair value of the Company's investment in the participating notes of Fibonacci Re is included in other investments and was \$55.5 million at June 30, 2017.

Renaissance Reinsurance entered into ceded reinsurance contracts with Fibonacci Re with premiums ceded of \$9.4 million during the six months ended June 30, 2017. In addition, Renaissance Reinsurance recognized ceded premiums earned related to the ceded reinsurance contracts with Fibonacci Re of \$3.8 million during the six months ended June 30, 2017.

NOTE 10. SHAREHOLDERS' EQUITY

Dividends

The Board of Directors of RenaissanceRe declared dividends of \$0.32 per common share to common shareholders of record on March 15, 2017 and June 15, 2017, respectively, and RenaissanceRe paid dividends of \$0.32 per common share to common shareholders on March 31, 2017 and June 30, 2017, respectively. During the six months ended June 30, 2017, the Company declared and paid \$11.2 million in preference share dividends (2016 - \$11.2 million) and \$25.9 million in common share dividends (2016 - \$26.2 million).

Share Repurchases

The Company's share repurchase program may be effected from time to time, depending on market conditions and other factors, through open market purchases and privately negotiated transactions. On May 17, 2017, RenaissanceRe's Board of Directors approved a renewal of its authorized share repurchase program for an aggregate amount of up to \$500.0 million. Unless terminated earlier by RenaissanceRe's Board of Directors, the program will expire when the Company has repurchased the full value of the common 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, 2017, the Company repurchased an aggregate of 1.1 million common shares in open market transactions at an aggregate cost of \$149.7 million and an average price of \$142.33 per common share. At June 30, 2017, \$485.1 million remained available for repurchase under the share repurchase program.

See "Note 16. Subsequent Events" for additional information related to share repurchases subsequent to June 30, 2017.

NOTE 11. EARNINGS PER SHARE

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

(common shares in thousands)	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Numerator:				
Net income available to RenaissanceRe common shareholders	\$171,142	\$136,325	\$263,494	\$264,320
Amount allocated to participating common shareholders (1)	(1,585)	(1,561)	(2,526)	(3,166)
Net income allocated to RenaissanceRe common shareholders	\$169,557	\$134,764	\$260,968	\$261,154
Denominator:				
Denominator for basic income per RenaissanceRe common share - weighted average common shares	39,937	41,693	40,172	42,135
Per common share equivalents of employee stock options and restricted shares	87	192	152	263
Denominator for diluted income per RenaissanceRe common share - adjusted weighted average common shares and assumed conversions	40,024	41,885	40,324	42,398
Net income available to RenaissanceRe common shareholders per common share – basic	\$4.25	\$3.23	\$6.50	\$6.20
Net income available to RenaissanceRe common shareholders per common share – diluted	\$4.24	\$3.22	\$6.47	\$6.16

Represents earnings attributable to holders of unvested restricted shares issued pursuant to the Company's 2001 (1) Stock Incentive Plan, 2010 Performance-Based Equity Incentive Plan, 2016 Long-Term Incentive Plan and to the Company's non-employee directors.

NOTE 12. SEGMENT REPORTING

The Company's reportable segments are defined as follows: (1) Property, which is comprised of catastrophe and other property reinsurance and insurance written on behalf of the Company's operating subsidiaries and certain joint ventures managed by the Company's ventures unit, and (2) Casualty and Specialty, which is comprised of casualty and specialty reinsurance and insurance written on behalf of the Company's operating subsidiaries and certain joint ventures managed by the Company's ventures unit. In addition to its reportable segments, the Company has an Other category, which primarily includes its strategic investments, investments unit, corporate expenses, capital servicing costs, noncontrolling interests, certain expenses related to the acquisition of Platinum, and the remnants of its former Bermuda-based insurance operations.

The Company's Property segment is managed by the Chief Underwriting Officer - Property and the Casualty and Specialty segment is managed by the Chief Underwriting Officer - Casualty and Specialty. Each of the Chief Underwriting Officer - Property and Chief Underwriting Officer - Casualty and Specialty operate under the direction of the Company's Group Chief Underwriting Officer, who in turn reports to the Company's President and Chief Executive Officer.

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, 2017	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$499,347	\$328,068	\$—	\$827,415	
Net premiums written	\$336,464	\$219,281	\$—	\$555,745	
Net premiums earned	\$192,198	\$190,065	\$2	\$382,265	
Net claims and claim expenses incurred	33,017	109,797	(227)	142,587	
Acquisition expenses	28,500	59,752	(1)	88,251	
Operational expenses	24,053	17,712	1	41,766	
Underwriting income	\$106,628	\$2,804	\$229	109,661	
Net investment income			54,163	54,163	
Net foreign exchange gains			3,109	3,109	
Equity in earnings of other ventures			5,543	5,543	
Other income			2,392	2,392	
Net realized and unrealized gains on investments			58,113	58,113	
Corporate expenses			(4,636)	(4,636)	
Interest expense			(10,091)	(10,091)	
Income before taxes and redeemable noncontrolling interests				218,254	
Income tax expense			(3,904)	(3,904)	
Net income attributable to redeemable noncontrolling interests			(37,612)	(37,612)	
Dividends on preference shares			(5,596)	(5,596)	
Net income available to RenaissanceRe common shareholders				\$171,142	
Net claims and claim expenses incurred – current accident year	\$56,889	\$130,802	\$—	\$187,691	
Net claims and claim expenses incurred – prior accident years	(23,872)	(21,005)	(227)	(45,104)	
Net claims and claim expenses incurred – total	\$33,017	\$109,797	\$(227)	\$142,587	
Net claims and claim expense ratio – current accident year	29.6	% 68.8	%	49.1	%
Net claims and claim expense ratio – prior accident years	(12.4)	% (11.0)	%	(11.8)	%
Net claims and claim expense ratio – calendar year	17.2	% 57.8	%	37.3	%
Underwriting expense ratio	27.3	% 40.7	%	34.0	%
Combined ratio	44.5	% 98.5	%	71.3	%

Six months ended June 30, 2017	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$1,019,876	\$729,629	\$—	\$1,749,505	
Net premiums written	\$626,335	\$473,546	\$—	\$1,099,881	
Net premiums earned	\$379,186	\$369,124	\$—	\$748,310	
Net claims and claim expenses incurred	71,855	264,368	(555)	335,668	
Acquisition expenses	57,603	113,931	(1)	171,533	
Operational expenses	51,718	37,319	12	89,049	
Underwriting income (loss)	\$198,010	\$(46,494)	\$544	152,060	
Net investment income			108,488	108,488	
Net foreign exchange gains			11,274	11,274	
Equity in earnings of other ventures			4,036	4,036	
Other income			4,057	4,057	
Net realized and unrealized gains on investments			101,486	101,486	
Corporate expenses			(9,922)	(9,922)	
Interest expense			(20,617)	(20,617)	
Income before taxes and redeemable noncontrolling interests				350,862	
Income tax expense			(4,238)	(4,238)	
Net income attributable to redeemable noncontrolling interests			(71,939)	(71,939)	
Dividends on preference shares			(11,191)	(11,191)	
Net income available to RenaissanceRe common shareholders				\$263,494	
Net claims and claim expenses incurred – current accident year	\$96,655	\$255,111	\$—	\$351,766	
Net claims and claim expenses incurred – prior accident years	(24,800)	9,257	(555)	(16,098)	
Net claims and claim expenses incurred – total	\$71,855	\$264,368	\$(555)	\$335,668	
Net claims and claim expense ratio – current accident year	25.5	% 69.1	%	47.0	%
Net claims and claim expense ratio – prior accident years	(6.6)	% 2.5	%	(2.1)	%
Net claims and claim expense ratio – calendar year	18.9	% 71.6	%	44.9	%
Underwriting expense ratio	28.9	% 41.0	%	34.8	%
Combined ratio	47.8	% 112.6	%	79.7	%

Three months ended June 30, 2016	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$493,953	\$265,175	\$—	\$759,128	
Net premiums written	\$350,593	\$169,323	\$—	\$519,916	
Net premiums earned	\$191,060	\$160,342	\$—	\$351,402	
Net claims and claim expenses incurred	80,275	87,390	85	167,750	
Acquisition expenses	29,389	39,616	—	69,005	
Operational expenses	26,526	24,526	21	51,073	
Underwriting income (loss)	\$54,870	\$8,810	\$(106)	63,574	
Net investment income			54,124	54,124	
Net foreign exchange losses			(690)	(690)	
Equity in earnings of other ventures			6,022	6,022	
Other income			2,654	2,654	
Net realized and unrealized gains on investments			69,772	69,772	
Corporate expenses			(5,752)	(5,752)	
Interest expense			(10,536)	(10,536)	
Income before taxes and noncontrolling interests				179,168	
Income tax expense			(6,612)	(6,612)	
Net income attributable to noncontrolling interests			(30,635)	(30,635)	
Dividends on preference shares			(5,596)	(5,596)	
Net income available to RenaissanceRe common shareholders				\$136,325	
Net claims and claim expenses incurred – current accident year	\$93,336	\$103,669	\$—	\$197,005	
Net claims and claim expenses incurred – prior accident years	(13,061)	(16,279)	85	(29,255)	
Net claims and claim expenses incurred – total	\$80,275	\$87,390	\$85	\$167,750	
Net claims and claim expense ratio – current accident year	48.9	% 64.7	%	56.1	%
Net claims and claim expense ratio – prior accident years	(6.9)	% (10.2)	%	(8.4)	%
Net claims and claim expense ratio – calendar year	42.0	% 54.5	%	47.7	%
Underwriting expense ratio	29.3	% 40.0	%	34.2	%
Combined ratio	71.3	% 94.5	%	81.9	%

Six months ended June 30, 2016	Property	Casualty and Specialty	Other	Total	
Gross premiums written	\$938,912	\$682,349	\$ —	\$1,621,261	
Net premiums written	\$583,452	\$448,139	\$ —	\$1,031,591	
Net premiums earned	\$366,292	\$338,716	\$ —	\$705,008	
Net claims and claim expenses incurred	102,079	192,273	3	294,355	
Acquisition expenses	49,513	85,084	—	134,597	
Operational expenses	55,183	52,044	81	107,308	
Underwriting income (loss)	\$159,517	\$9,315	\$ (84)	168,748	
Net investment income			82,987	82,987	
Net foreign exchange losses			(2,382)	(2,382)	
Equity in earnings of other ventures			7,633	7,633	
Other income			6,733	6,733	
Net realized and unrealized gains on investments			131,425	131,425	
Corporate expenses			(13,977)	(13,977)	
Interest expense			(21,074)	(21,074)	
Income before taxes and noncontrolling interests				360,093	
Income tax expense			(9,356)	(9,356)	
Net income attributable to noncontrolling interests			(75,226)	(75,226)	
Dividends on preference shares			(11,191)	(11,191)	
Net income available to RenaissanceRe common shareholders				\$264,320	
Net claims and claim expenses incurred – current accident year	\$121,068	\$204,146	\$ —	\$325,214	
Net claims and claim expenses incurred – prior accident years	(18,989)	(11,873)	3	(30,859)	
Net claims and claim expenses incurred – total	\$102,079	\$192,273	\$ 3	\$294,355	
Net claims and claim expense ratio – current accident year	33.1	% 60.3	%	46.1	%
Net claims and claim expense ratio – prior accident years	(5.2)	% (3.5)	%	(4.3)	%
Net claims and claim expense ratio – calendar year	27.9	% 56.8	%	41.8	%
Underwriting expense ratio	28.6	% 40.4	%	34.3	%
Combined ratio	56.5	% 97.2	%	76.1	%

NOTE 13. DERIVATIVE INSTRUMENTS

From time to time, the Company may enter 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's derivative instruments are generally traded under International Swaps and Derivatives Association master agreements, which establish the terms of the transactions entered into with the Company's derivative counterparties. In the event a party becomes insolvent or otherwise defaults on its obligations, a master agreement generally permits the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' marked-to-market values so that a single sum in a single currency will be owed by, or owed to, the non-defaulting party. Effectively, this contractual close-out netting reduces credit exposure from gross to net exposure. Where the Company has entered into master netting agreements with counterparties, or the Company has the legal and contractual right to offset positions, the derivative positions are generally netted by counterparty and are reported accordingly in other assets and other liabilities.

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

At June 30, 2017	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$1,277	973	\$ 304	Other assets	\$ —	\$ 304
Foreign currency forward contracts (1)	7,245	617	6,628	Other assets	—	6,628
Foreign currency forward contracts (2)	57	18	39	Other assets	—	39
Credit default swaps	2,502	19	2,483	Other assets	—	2,483
Total	\$11,081	\$ 1,627	\$ 9,454		\$ —	\$ 9,454

At June 30, 2017	Derivative Liabilities			Balance Sheet Location	Collateral Pledged	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$1,067	973	\$ 94	Other liabilities	\$ 94	\$ —
Foreign currency forward contracts (1)	2,273	—	2,273	Other liabilities	—	2,273
Foreign currency forward contracts (2)	97	18	79	Other liabilities	—	79
Credit default swaps	636	19	617	Other liabilities	—	617
Total	\$4,073	\$ 1,010	\$ 3,063		\$ 94	\$ 2,969

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

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

At December 31, 2016	Derivative Assets			Balance Sheet Location	Collateral	Net Amount
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented in the Balance Sheet			
Interest rate futures	\$1,384	1,235	\$ 149	Other assets	\$ —	\$ 149
Foreign currency forward contracts (1)	774	—	774	Other assets	—	774
Foreign currency forward contracts (2)	621	447	174	Other assets	—	174
Credit default swaps	1,429	23	1,406	Other assets	—	1,406
Total	\$4,208	\$ 1,705	\$ 2,503		\$ —	\$2,503

At December 31, 2016	Derivative Liabilities			Balance Sheet Location	Collateral Pledged	Net Amount
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented in the Balance Sheet			
Interest rate futures	\$2,030	1,235	\$ 795	Other liabilities	\$ 789	\$6
Foreign currency forward contracts (1)	10,550	397	10,153	Other liabilities	—	10,153
Foreign currency forward contracts (2)	766	447	319	Other liabilities	—	319
Credit default swaps	181	23	158	Other liabilities	—	158
Total	\$13,527	\$ 2,102	\$ 11,425		\$ 789	\$10,636

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

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

Refer to “Note 3. Investments” for information on reverse repurchase agreements.

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

	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2017	2016
Three months ended June 30,			
Interest rate futures	Net realized and unrealized gains on investments	\$(890)	\$(9,456)
Foreign currency forward contracts (1)	Net foreign exchange gains (losses)	5,223	(3,815)
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	(267)	2,641
Credit default swaps	Net realized and unrealized gains on investments	622	305
Total		\$4,688	\$(10,325)
	Location of gain (loss) recognized on derivatives	Amount of gain (loss) recognized on derivatives	
		2017	2016
Six months ended June 30,			
Interest rate futures	Net realized and unrealized gains on investments	\$(1,048)	\$(28,815)
Foreign currency forward contracts (1)	Net foreign exchange gains (losses)	6,283	(5,189)
Foreign currency forward contracts (2)	Net foreign exchange gains (losses)	(900)	(3,217)
Credit default swaps	Net realized and unrealized gains on investments	724	215
Total		\$5,059	\$(37,006)

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

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

The Company is not aware of the existence of any credit-risk related contingent features that it believes would be triggered in its derivative instruments that are in a net liability position at June 30, 2017.

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 may result in increasing or decreasing its exposure to this risk. At June 30, 2017, the Company had \$1.1 billion of notional long positions and \$714.0 million of notional short positions of primarily Eurodollar, U.S. treasury and non-U.S. dollar futures contracts (December 31, 2016 - \$1.2 billion and \$727.9 million, respectively). The fair value of these derivatives is determined using exchange traded prices.

Foreign Currency Derivatives

The Company's functional currency is the U.S. dollar. The Company writes a portion of its business in currencies other than U.S. dollars and may, from time to time, experience foreign exchange gains and losses in the Company's consolidated financial statements. All changes in exchange rates, with the exception of non-monetary assets and liabilities, are recognized 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, 2017, the Company had outstanding underwriting related foreign currency contracts of \$218.1 million in notional long positions and \$104.1 million in notional short positions, denominated in U.S. dollars (December 31, 2016 - \$184.2 million and \$91.4 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. From time to time, the Company may employ foreign currency forward contracts in its investment portfolio to either assume foreign currency risk or to economically hedge its exposure to currency fluctuations from these investments. 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, 2017, the Company had outstanding investment portfolio related foreign currency contracts of \$20.1 million in notional long positions and \$5.1 million in notional short positions, denominated in U.S. dollars (December 31, 2016 - \$26.9 million and \$57.3 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 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, 2017, the Company had outstanding credit derivatives of \$30.0 million in notional positions to hedge credit risk and \$36.4 million in notional positions to assume credit risk, denominated in U.S. dollars (December 31, 2016 - \$Nil and \$75.2 million, respectively).

NOTE 14. COMMITMENTS, CONTINGENCIES AND OTHER ITEMS

There are no material changes from the commitments and contingencies previously disclosed in the Company's Form 10-K for the year ended December 31, 2016.

Legal Proceedings

The Company and its subsidiaries are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties or contracts or direct surplus lines insurance policies. In the Company's industry, business litigation may involve allegations of underwriting or claims-handling errors or misconduct, disputes relating to the scope of, or compliance with, the terms of delegated underwriting agreements, employment claims, regulatory actions or disputes arising from the Company's business ventures. The Company's operating subsidiaries are subject to claims litigation involving, among other things, disputed interpretations of policy coverages. Generally, the Company's direct surplus lines insurance operations are subject to greater frequency and diversity of claims and claims-related litigation than its reinsurance operations and, in some jurisdictions, may be subject to direct actions by allegedly injured persons or entities seeking damages from policyholders. These lawsuits, involving or arising out of claims on policies issued by the Company's subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in its loss and loss expense reserves. In addition, the Company may from time to time engage in litigation or arbitration related to its claims for payment in respect of ceded reinsurance, including disputes that challenge the Company's ability to enforce its underwriting intent. Such matters could result, directly or indirectly, in providers of protection not meeting their obligations to the Company or not doing so on a timely basis. The Company may also be subject to other disputes from time to time, relating to operational or other matters distinct from insurance or reinsurance claims. Any litigation or arbitration, or regulatory process, contains an element of uncertainty, and the value of an exposure or a gain contingency related to a dispute is difficult to estimate

accordingly. Currently, the Company believes that no individual litigation or arbitration to which it is presently a party is likely to have a material adverse effect on its financial condition, business or operations.

NOTE 15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT OF SUBSIDIARIES

The following tables present condensed consolidating balance sheets at June 30, 2017 and December 31, 2016, condensed consolidating statements of operations and condensed consolidating statements of comprehensive income for the three and six months ended June 30, 2017 and 2016, and condensed consolidating statements of cash flow for the six months ended June 30, 2017. Each of RenRe North America Holdings Inc., Platinum Underwriters Finance, Inc. and RenaissanceRe Finance is a 100% owned subsidiary of RenaissanceRe. For additional information related to the terms of the Company's outstanding debt securities, see "Note 9. Debt and Credit Facilities" in the "Notes to Consolidated Financial Statements" in the Company's Form 10-K for the year ended December 31, 2016 and "Note 7. Debt and Credit Facilities" in the "Notes to Consolidated Financial Statements" included herein.

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Condensed Consolidating Balance Sheet at June 30, 2017	RenaissanceRe Holdings Ltd. (Parent Guarantor)	RenRe North America Holdings Inc. (Subsidiary Issuer)	Platinum Underwriters Finance, Inc. (Subsidiary Issuer)	RenaissanceRe Finance, Inc. (Subsidiary Issuer)	Other RenaissanceRe Holdings Ltd. Subsidiaries and Eliminations (Non-guarantor Subsidiaries) (1)	Consolidating Adjustments (2)	RenaissanceRe Consolidated
Assets							
Total investments	\$ 140,492	\$ 123,517	\$ —	\$ 323,094	\$ 8,821,805	\$ —	\$ 9,408,908
Cash and cash equivalents	2,417	276	23,986	8,356	588,115	—	623,150
Investments in subsidiaries	4,388,394	36,924	871,117	1,195,266	—	(6,491,701)	—
Due from subsidiaries and affiliates	5,489	91,892	—	—	—	(97,381)	—
Premiums receivable	—	—	—	—	1,533,833	—	1,533,833
Prepaid reinsurance premiums	—	—	—	—	705,322	—	705,322
Reinsurance recoverable	—	—	—	—	370,586	—	370,586
Accrued investment income	291	288	—	921	38,618	—	40,118
Deferred acquisition costs	—	—	—	—	430,106	—	430,106
Receivable for investments sold	52	5	—	—	170,354	—	170,411
Other assets	423,601	37,547	(29)	130,139	115,352	(529,794)	176,816
Goodwill and other intangible assets	127,532	—	—	—	118,898	—	246,430
Total assets	\$ 5,088,268	\$ 290,449	\$ 895,074	\$ 1,657,776	\$ 12,892,989	\$ (7,118,876)	\$ 13,705,680
Liabilities, Noncontrolling Interests and Shareholders' Equity							
Liabilities							
Reserve for claims and claim expenses	\$ —	\$ —	\$ —				