

RENAISSANCERE HOLDINGS LTD

Form 10-Q

July 27, 2016

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, 2016

OR

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

For the transition period from to

Commission File No. 001-14428

RENAISSANCERE HOLDINGS LTD.

(Exact Name Of Registrant As Specified In Its Charter)

Bermuda 98-014-1974

(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification Number)

Renaissance House, 12 Crow Lane, Pembroke HM 19 Bermuda

(Address of Principal Executive Offices)

(441) 295-4513

(Registrant's telephone number)

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

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

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

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

Yes o No Q

The number of Common Shares, par value US \$1.00 per share, outstanding at July 25, 2016 was 41,208,267.

RENAISSANCERE HOLDINGS LTD.
TABLE OF CONTENTS

	<u>NOTE ON FORWARD-LOOKING STATEMENTS</u>	Page <u>3</u>
<u>PART I</u>		
ITEM 1.	<u>FINANCIAL STATEMENTS</u>	
	<u>Consolidated Balance Sheets at June 30, 2016 (unaudited) and December 31, 2015</u>	<u>5</u>
	<u>Unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015</u>	<u>6</u>
	<u>Unaudited Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2016 and 2015</u>	<u>7</u>
	<u>Unaudited Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2016 and 2015</u>	<u>8</u>
	<u>Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015</u>	<u>9</u>
	<u>Notes to the Consolidated Financial Statements</u>	<u>10</u>
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>51</u>
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>99</u>
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	<u>99</u>
<u>PART II</u>		
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	<u>100</u>
ITEM 1A.	<u>RISK FACTORS</u>	<u>100</u>
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>100</u>
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	<u>101</u>
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	<u>101</u>
ITEM 5.	<u>OTHER INFORMATION</u>	<u>101</u>
ITEM 6.	<u>EXHIBITS</u>	<u>103</u>
	<u>SIGNATURES - RENAISSANCERE HOLDINGS LTD.</u>	<u>105</u>

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 effect of emerging claims and coverage issues;
- 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;
- continued soft reinsurance underwriting market conditions;
- a contention by the Internal Revenue Service (“IRS”) that Renaissance Reinsurance Ltd. (“Renaissance Reinsurance”), or any of our other Bermuda subsidiaries, is subject to taxation in the United States (“U.S.”);
- the performance of our investment portfolio;
- 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 effect of inflation;
- the adequacy of our ceding companies’ ability to 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;

uncertainties related to the vote in the United Kingdom (“U.K.”) to leave the European Union (“EU”);

- 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 challenges to the claim of exemption from insurance regulation of RenaissanceRe and our subsidiaries and increased global regulation of the insurance and reinsurance industry;
- losses we could face from terrorism, political unrest or war;
- 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;
- the effect of cybersecurity risks, including technology breaches or failure, on our business;

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 regulatory or legislative changes adversely impacting us;

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 customers or insurance and reinsurance brokers;

the effect of Organization for Economic Co-operation and Development (the “OECD”) or EU measures to increase our taxes;

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

changes in regulatory regimes and/or accounting rules, including the EU directive concerning capital adequacy, risk management and regulatory reporting for insurers; 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, 2015, 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, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets		
Fixed maturity investments trading, at fair value (Amortized cost \$7,007,201 and \$6,825,877 at June 30, 2016 and December 31, 2015, respectively)	\$7,073,129	\$6,765,005
Fixed maturity investments available for sale, at fair value (Amortized cost \$10,923 and \$15,943 at June 30, 2016 and December 31, 2015, respectively)	12,434	17,813
Short term investments, at fair value	1,000,206	1,208,401
Equity investments trading, at fair value	301,298	393,877
Other investments, at fair value	489,702	481,621
Investments in other ventures, under equity method	133,448	132,351
Total investments	9,010,217	8,999,068
Cash and cash equivalents	455,521	506,885
Premiums receivable	1,332,667	778,009
Prepaid reinsurance premiums	533,092	230,671
Reinsurance recoverable	222,006	134,526
Accrued investment income	37,900	39,749
Deferred acquisition costs	331,152	199,380
Receivable for investments sold	203,165	220,834
Other assets	160,873	181,011
Goodwill and other intangible assets	258,170	265,154
Total assets	\$12,544,763	\$11,555,287
Liabilities, Noncontrolling Interests and Shareholders' Equity		
Liabilities		
Reserve for claims and claim expenses	\$2,844,243	\$2,767,045
Unearned premiums	1,518,106	889,102
Debt	954,577	960,495
Reinsurance balances payable	753,699	523,974
Payable for investments purchased	432,926	391,378
Other liabilities	215,592	245,145
Total liabilities	6,719,143	5,777,139
Commitments and Contingencies		
Redeemable noncontrolling interest	1,122,403	1,045,964
Shareholders' Equity		
Preference shares: \$1.00 par value – 16,000,000 shares issued and outstanding at June 30, 2016 (December 31, 2015 – 16,000,000)	400,000	400,000
Common shares: \$1.00 par value – 41,496,229 shares issued and outstanding at June 30, 2016 (December 31, 2015 – 43,701,064)	41,496	43,701
Additional paid-in capital	242,561	507,674
Accumulated other comprehensive income	2,337	2,108
Retained earnings	4,016,823	3,778,701
Total shareholders' equity attributable to RenaissanceRe	4,703,217	4,732,184
Total liabilities, noncontrolling interests and shareholders' equity	\$12,544,763	\$11,555,287
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, 2016 and 2015

(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,
	2016	2015	2016	2015
Revenues				
Gross premiums written	\$759,128	\$661,997	\$1,621,261	\$1,305,575
Net premiums written	\$519,916	\$508,677	\$1,031,591	\$912,712
Increase in unearned premiums	(168,514)	(128,849)	(326,583)	