Letter to Shareholders

Our financial strength remains rock solid. Our rapid claims payments following the 2004 hurricanes reinforced our reputation for outstanding reliability and security.

In last year's letter to shareholders, I speculated on what the next ten years might look like for RenaissanceRe. When I wrote that "we may experience a big hurricane...[that produces] relatively worse losses than our competitors," I certainly did not expect it would happen less than a year later. But we are in the risk business, so we need to expect the unexpected and be prepared to handle it.

Due to the four hurricanes that struck Florida during the third quarter, 2004 was by far the worst year RenaissanceRe has ever had. Operating income fell sharply to $110 million from $525 million the previous year, and operating earnings per share were $1.53, compared to $7.40. Tangible book value per share grew by only 2% to $30.19 — not the result that we wanted. Because we made the decision to be overweight in Florida, we underperformed most of our peers, and our string of having the number one operating return on equity in our peer group was broken after 11 straight years. (I do think, however, that our 11-year record will stand as long as Cal Ripken's record for 2,632 consecutive games played.)

Still, RenaissanceRe has never had a losing year (although we undoubtedly will, sometime), and has experienced only one quarterly operating loss in a total of 46 quarters. Recognizing that there is volatility in catastrophe reinsurance, it is important to look at our results over many years, and there we can claim to have the number one operating return on equity in our peer group over the last three years (or any longer period since our inception).

Our Strategy Continues to Serve Us Well

What is truly important about our results in light of the hurricanes, however, are the answers to two questions: First, how well did we respond to our clients' needs for rapid claims payment? Second, did our disproportionately large losses mean that there was some basic flaw in the way we manage our risks?

As to the first question, responding to losses is our opportunity to deliver value to our clients. On insurance and reinsurance managed by our group, so far we have paid over $625 million to insurers (and insureds) of Florida properties to repair damage from the four hurricanes in 2004. Our standard is to pay valid reinsurance claims within 48 hours of receipt. In fact, we advanced payments to some of our clients days after the storms. We try to be the fastest payer in the market. The comments that we have gotten back from our clients and brokers after the World Trade Center loss in 2001 and the Florida hurricanes in 2004 lead us to believe that we probably are.

James N. Stanard
Chairman and
Chief Executive Officer

Concerning the second question, after a thorough review of our losses and the exposures that caused them, I am comfortable that our strategy is sound, as is its execution. Despite the unusual phenomenon of four hurricanes in a row, our models performed reasonably well. (We always treat model output as estimates, not as facts.) We were paid adequately for the risks that we undertook and so, in a sense, our underperformance in 2004 was just a matter of giving back some of our outperformance from the low-loss years of 2002 and 2003.

Excluding the hurricanes (if only we could), we actually had an excellent year.

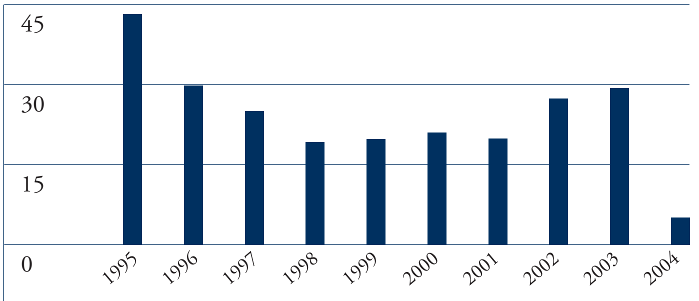
- Our Specialty Reinsurance business performed well, making an important contribution to earnings. Premiums grew by 31% to $383 million, and losses were relatively low. This business has developed into a meaningful franchise.
- Our Individual Risk business also performed well. Premiums grew 7% to $478 million, and we anticipate considerable growth in 2005. We have now established the infrastructure, in terms of people and technology, necessary for building a major business, and have begun to forge the relationships with a small number of outside program managers who will serve as one of our important bases for future growth.
- Our Ventures business also performed well. Although our DaVinci Re joint venture bore its share of hurricane losses, Top Layer Re continued to be loss-free. An energy trading joint venture involving our weather prediction group, established at the end of 2003, had a very profitable year. Channel Re, our financial guaranty joint venture that commenced operations last year, lived up to our expectations.
- Finally, our net Catastrophe Reinsurance losses were very low in other notable 2004 events such as the tsunami and the Japanese typhoons.

Entering a Softening Market

The reinsurance markets today seem to be awash in capital, which has come from several sources. Most companies were profitable in 2004, and have added to their capital base. Hedge funds, commanding large pools of unrestricted capital, have been entering the catastrophe reinsurance market. Moreover, a new generation of insurance and reinsurance startups have begun to form — even though the results from the last crop of soft market startups (in 1996-7) were not good.

Clearly, we are entering the softening portion of the cycle. In the catastrophe business, it feels to me like 1996, when prices started on an unmistakable decline. At that time,

Operating Return On Equity



RenaissanceRe was one of the few companies that chose to reduce its top line, while others remained eager to continue to grow by writing business at lower prices. We will again maintain our discipline and refuse to chase business that does not meet our hurdles for return on equity.

As a result of this softening, our catastrophe reinsurance premium volume is likely to fall in 2005. We see downward pressure on pricing in the Specialty Reinsurance and Individual Risk areas as well; however, we are growing from such a small market share in these areas, and have such strong momentum, that we believe there is at least another year of growth available in those businesses.

To deal with the softening market, we have been sharpening our competitive advantages. We have gathered a great deal of new information on Florida hurricanes, which we have incorporated into our models, and are now in a position to use this information to help our reinsurance customers.

One of our greatest assets continues to be our rock-solid financial strength. We have a strong balance sheet, prudent loss reserves and excellent credit ratings. We also continue to enjoy an outstanding reputation with our clients.

Enhancing Our Management and Operations

In the course of a comprehensive review initiated by management, we became aware of accounting errors related to the timing of the effects of certain ceded reinsurance transactions, which required the restatement of our results for 2001, 2002 and 2003. Although this did not have a material impact on our financial condition or our business operations, it was nevertheless an embarrassment for a company that has always striven to be best-in-class in everything we do. I am confident the controls we have in place today would make the repetition of such an oversight unlikely.

In fact, before this discovery, we had already initiated several major operating improvements. We substantially upgraded our control environment, enlarged our accounting and legal departments, and enhanced staff training. This was done to ensure that we maintain high standards across our organization and that we fully satisfy Sarbanes-Oxley requirements. The heightened scrutiny of our industry over the past months will likely drive changes that will affect all insurers and reinsurers.

As the market softens, we will refuse to chase business that does not meet our criteria for return.

We intend to closely monitor these developments, so that we can respond as needed.

I believe that the management team we have in place today is as good as we have ever had. During the year, John M. Lummis was promoted to the position of Chief Operating Officer, in addition to his duties as Executive Vice President and Chief Financial Officer. Kevin J. O'Donnell, Senior Vice President and head of Catastrophe Reinsurance, and Michael W. Cash, Senior Vice President and head of Specialty Reinsurance, assumed the responsibilities of David A. Eklund, who relinquished his role as Chief Underwriting Officer in order to spend more time with his family. Dave had been a major contributor to the company's success since its inception, and we are grateful for all his work over the years.

Challenges for 2005

Looking ahead, we are focused on the following challenges:

1. The market is softening, particularly for catastrophe reinsurance. While we have a great track record of managing the catastrophe business through the last soft market, we now need to demonstrate the same skill and discipline in our other businesses.
2. As our business grows more diverse, we must build our management team and processes to effectively execute within a more complex compliance environment and a more competitive business environment.
3. While meeting these internal challenges, our job is still to remain outward-looking and focused on our clients.

I believe that RenaissanceRe has in place the professionals and the organization to meet these challenges, and I look forward to the future with confidence.

Sincerely,

James N. Stanard
Chairman of the Board
Chief Executive Officer
RenaissanceRe Holdings Ltd.