We began 2023 with a step change in reinsurance pricing and terms and conditions. With the acquisition of Validus, we ended 2023 with a step change in RenaissanceRe itself.

By Kevin O'Donnell President and Chief Executive Officer

Dear Shareholders,

It was ten years ago that I was honored to begin my tenure as CEO of RenaissanceRe. At that time, I wrote that it is difficult to distinguish between luck and skill over the short term, but over the long term skill becomes apparent.

In 2023, we celebrated our 30th anniversary. This, by itself, is a substantial achievement. We are the sole remaining member of the Bermuda class of 1993, and one of the few from subsequent class years. This outcome is due to neither coincidence nor luck – rather, it demonstrates the effectiveness of our strategy, the strength of our culture and the tenacity of our execution. Further, 2017 to 2022 was one of the most difficult periods in the reinsurance industry's recent history, and our ability to emerge from it a larger and financially stronger company is a testament to our strategic consistency and enduring value proposition.

I am proud of our many accomplishments over the last decade, which culminated with one of the best years in our history. We began 2023 with a step change in reinsurance pricing and terms and conditions. With the acquisition of Validus, we ended 2023 with a step change in RenaissanceRe itself.

I. Our Performance in 2023

Financial Performance

Last year, I wrote that we were positioned to deliver long-term shareholder value. We kept that promise in 2023, reporting net income available to common shareholders of $2.5 billion and operating income available to common shareholders of $1.8 billion. Our return on average common equity was 40.5% and our operating return on average common equity was 29.3%. Our change in book value per common share was 57.9% and our change in tangible book value per common share plus change in accumulated dividends was 47.6%.

Capital Management

As we have frequently discussed, our preference is to first deploy capital into our business. We had ample opportunity to do so throughout 2023, both through acquisitions and organic growth.

Our most significant deployment of capital was, of course, our acquisition of Validus from AIG in a transaction that was immediately accretive to shareholders across our key financial metrics. Strategically, the Validus acquisition was also highly beneficial – deepening our relationship with AIG and adding the talented Validus team to our organization. We continue to be impressed by their professionalism, strong work ethic and deep industry knowledge, and we are undoubtedly a stronger company thanks to their contributions.

To acquire Validus, we paid approximately $3 billion for $2.1 billion of unlevered shareholders' equity. For a $900 million premium over book value, we acquired approximately $3.5 billion of well-underwritten premium, as well as a $4.5 billion investment portfolio. The Validus underwriting portfolio consists of a high-quality mix of property, casualty, specialty and credit lines that closely mirrors our own. It is appropriate that AIG continues to benefit from the attractive risk they have already underwritten. As such, they will retain 95% of any reserve development, either favorable or adverse.

In anticipation of the Validus transaction, we raised approximately $2.1 billion through public security issuances. This generated net proceeds of about $1.35 billion from the issuance of common shares and about $740 million from the issuance of 10-year 5.750% senior notes. In addition, AIG received common shares with a value of about $250 million at signing. We funded the remainder of the purchase price, about $640 million, through deployment of existing excess capital.

While it is difficult to imagine now, at the time we decided to acquire Validus, property catastrophe reinsurance business was disfavored. But we had conviction in our vision of being the best underwriter, and recognized the competitive advantages that the large, well-diversified Validus portfolio could bring to us in a favorable reinsurance market. Conversely, if we had chosen to grow organically in one area of our portfolio, such as property catastrophe top layers where demand was strongest at January 1, it would have unbalanced our portfolio and diluted returns on equity.

For this reason, our overriding objective heading into the recent January 1 renewal was to retain RenaissanceRe's legacy lines while renewing the Validus business we chose to keep, and to do so without disrupting favorable market conditions. I am pleased to report that we were overwhelmingly successful in this endeavor. This is in part because there is substantial value in incumbency in the reinsurance industry, which provided us strong client and broker support for becoming a larger partner.

Our success in renewing the combined portfolio was beneficial to all our stakeholders. Our customers benefited from increased access to our highly rated, well capitalized balance sheets. Brokers had access to an expanded and more influential market, known for providing certainty of execution and a market leading view of risk. Our capital partners have the benefit of increased access to desirable risk. Finally, our shareholders benefited from improvements in each of our Three Drivers of Profit, which I will discuss further below.

Locking in profitable growth by delivering the Validus portfolio is a great example of our ability to execute decisively when market conditions are favorable. We have built the industry's leading platform to accept reinsurance risk efficiently and effectively, which we use to create enduring value for our shareholders.

Lastly, we paid common dividends of $75 million in 2023, and recently increased our quarterly dividend for the 29th consecutive year.

Three Drivers of Profit

Consistent with prior years, I would like to discuss our Three Drivers of Profit – underwriting, fee and investment income.

Underwriting Income

Our first driver of profit is the income we earn from our core underwriting business. In 2023, our underwriting profit was $1.6 billion, with $1.4 billion in our Property segment and $208 million in our Casualty and Specialty segment. This represents a substantial improvement from 2022, when we reported aggregate underwriting profit of $150 million. We are especially pleased to have delivered this result in an active catastrophe environment in which industry losses once again exceeded $100 billion (at $120 billion in 2023 vs $132 billion in 2022).

Our results this year reflect the impact of the step change in the property reinsurance market at January 1, 2023, where we achieved substantial increases in rates, higher retentions and tighter terms and conditions. We believe this favorable market will persist into the future, which I discuss further in Part II.

For our Casualty and Specialty segment, 2023 was another solid year. We were able to achieve consistent profitability and delivered a combined ratio of 95%. Last year, I wrote that in 2023, our focus for Casualty and Specialty would shift away from growth and towards optimizing the portfolio for profitability given social inflation and the potential for recession. While the economy has remained resilient, social inflation certainly remains a focus.

Concerns over casualty reserves abound across the insurance industry. We remain confident in our reserving for several reasons. First, we have always approached our casualty reserves with equal discipline to our property reserves, where we have a long and successful track record. Second, prior to 2019, we created options for future growth by writing small lines and avoiding commercial auto and other troubled classes. Then, beginning in 2020, we grew significantly in a better rate environment. Finally, we have downside protection against the softer underwriting years (2014 to 2019) through adverse development covers protecting the Tokio Millennium Re and Validus business we acquired, as well as casualty business we wrote in Lloyd's between 2009 and 2017.

We have built the industry's leading platform to accept reinsurance risk efficiently and effectively, which we use to create enduring value for our shareholders.

Shifting to topline growth, throughout 2023, we proactively shaped our underwriting portfolio to favor the most attractive lines while cutting back in lines where rate did not exceed trend. As I will discuss further in Part II, this had the additional benefit of improving the efficiency of our underwriting portfolio.

Across both segments gross premiums written were $8.9 billion in 2023, a decrease of about $350 million from the prior year. A large driver of this difference was a decrease of about $235 million in reinstatement premiums compared to 2022. As a reminder, reinstatement premiums functionally serve to offset loss, and effectively never contribute to the bottom line. Gross premiums written were roughly flat excluding their impact.

A more insightful metric for growth, however, is net premiums written, which backs out the premium we cede to retrocessionaires to purchase protection and therefore better represents premium that drives our exposure and ultimately our earnings.

In 2023, our net premiums written were $7.5 billion, which was up 4%. More importantly, we grew significantly in our target areas. For example, catastrophe net premiums written were up 23%, or 42% after removing reinstatement premiums, and other specialty was up by 47%. In other words, we had substantial growth in the most profitable parts of the underwriting book, while reducing in less favorable areas, such as other property and professional liability.

Notably, our premiums in 2023 largely exclude the impact of the Validus portfolio. This acquisition brought us about $3.5 billion in gross premiums written. As we closed the transaction on November 1, however, we only benefited from about two months of this premium. We were successful in renewing the half of the Validus business up for renewal at January 1, and are excited about future potential. Based on our success at January 1 – we are likely to keep at least $3 billion dollars of Validus premium over the course of 2024, and potentially more, including most of the property and other specialty lines, as well as the casualty lines we find desirable.

Overall, across our segments, our January 1, 2024 underwriting portfolio is larger and more efficient than 2023, and we should continue to benefit from the Validus business over the course of the year. Collectively, the actions we took through 2023 should serve as a tailwind to both our top and bottom lines in 2024.

$1.6B

Underwriting Income

$237M

Fee Income

$1.2B

Net Investment Income

Fee Income

Our second driver of profit is the fee income we earn from our Capital Partners business. We take a differentiated approach in managing this business and named it “Capital Partners” because both our customers and third-party investors are valued partners. For our investors, this means when they experience an underwriting loss, we experience a similar underwriting loss (in addition to the loss of fees other asset managers would experience). We believe that this better aligns our interests and makes us a “first-call” manager of capital.

We first began matching third-party capital to desirable risk in 1999. What began 25 years ago has grown into one of the largest and most distinguished approaches to third-party capital management. Our goal has never been to maximize the size of this business or the fees that it generates. Rather, Capital Partners has grown organically out of a desire to bring additional capacity to solve our customers’ biggest problems.

In 2023, we once again effectively deployed our Capital Partners business to match attractive risk with capital. This enabled us to write more property catastrophe premium on our platform, including additional risk from the Validus portfolio.

We raised $1.2 billion in third-party capital across our joint venture vehicles and managed funds in 2023, with an additional $495 million effective January 1, 2024. This included a $350 million investment from AIG. We facilitated this investment by reducing our ownership stake in DaVinci from 28% to 24%. At January 1, as we renewed the Validus portfolio, we began sharing it with our Capital Partners balance sheets and incorporating it into our retro programs.

For the year, management and performance fees totaled $237 million – a record amount.

We continue to be good stewards of capital, returning $1.3 billion to our third-party capital investors, with two thirds of this relating to the release of trapped capital in our Upsilon vehicle.

Investment Income

Our third driver of profit is investment income. We now manage almost $29 billion in investments. Investors pay us to underwrite profitable risk, and customers pay us to promptly settle their valid claims. This is reflected in our relatively conservative approach to our investment portfolio, where we hold capital in order to underwrite risk or pay claims, with a strong focus on liquidity.

That said, due to increased interest rates, our investment portfolio generated $1.2 billion of net investment income in 2023, contributing significantly more profit to our bottom line. We also benefited from substantial mark-to-market gains, essentially offsetting the approximately $700 million of unrealized losses we had been carrying at the end of 2022 in our fixed maturity portfolio.

We finished the year with a yield to maturity of about 5.8% – roughly the same as throughout 2023. As a result, we expect our net investment income to continue to be a significant driver of profitability. Our larger investment portfolio in part reflects our decision to become a leading provider of Casualty and Specialty, as casualty liabilities are longer tail and support increased investment leverage and longer average duration. Significant profitability, pull-to-par and the acquisition of the Validus investment portfolio also increased the size of the portfolio.

What happens with interest rates over the remainder of 2024 depends on a number of factors, and the market expects the Federal Reserve to cut rates. That said, interest rates remain relatively elevated compared to the prior decade, which likely represents a shift in the long-term equilibrium. In any event, our duration of 2.6 years provides us some momentum if rates decrease over the course of 2024.

II. Portfolio Construction and Reinsurance Positioning in the Value Chain

The Role of Portfolio Construction

I frequently write about the centrality of portfolio construction to our underwriting. Thirty years ago, we were founded with the purpose of bringing a renaissance to the reinsurance industry. By incorporating the principles of Modern Portfolio Theory into reinsurance risk management, we believed we could deliver superior long-term returns to our shareholders. We would do this by constructing efficient portfolios of reinsurance risk, which would allow us to exploit existing market inefficiencies and reap the “free lunch” provided by more effective diversification.

Viewing our accomplishments in 2023 through this lens of portfolio construction provides additional insight into the strategy driving our business model and the value we achieved for our shareholders.

We are often asked two contradictory questions:

1. If “X” business line (typically property catastrophe) is so profitable, why do you share it with your Capital Partners business – shouldn’t you keep as much of it as possible?

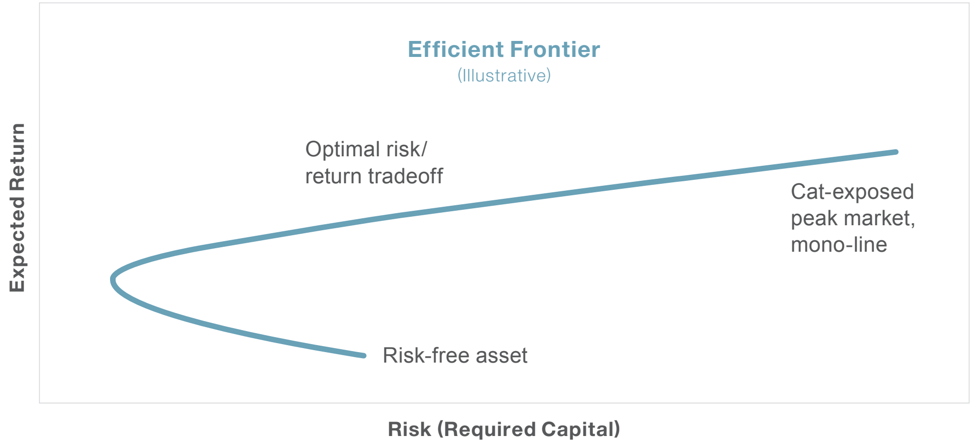
   or alternatively,

2. Your Capital Partners business generates high returns with low volatility – why don’t you become an asset manager and just earn fees?

The answer to both questions is - because the resulting portfolio at either extreme is less efficient than a business model that optimally combines features of both. RenaissanceRe’s core differentiating skill is constructing maximally efficient portfolios of reinsurance risk. Every action we take should be examined in this light.

What does this mean, and how is it different from solely maximizing expected profitability?

An efficient portfolio is an optimal tradeoff between risk and return. Effectively, it is the maximization of risk-adjusted return. This makes how one measures and adjusts for risk important. We measure risk over multiple return periods deep into the tail of the risk distribution. At each point, we require an amount of capital needed to cover probable losses with a sufficient margin of safety. Risk-adjusted return is the ratio of expected return to this required capital.



A second concept from Modern Portfolio Theory is that of the efficient frontier. This represents the trade-off between risk and return of a portfolio of assets. Typically, this has the risk-free asset in the lower left of a graph, representing low risk and low return. In the top right is the risky asset, representing expected high risk and high return. The efficient frontier shows the various possible combinations of the two. We set out our preferences for risk-adjusted return objectives and strive to get as close as possible to this efficient frontier.

In general, risk rises as return increases. This increase is not linear, however. One additional unit of risk does not always bring one additional unit of return. Initially, this may result in greater return than risk (demonstrated by the frontier counterintuitively bowing to the left, with risk going down and return going up). Eventually, however, risk increases faster than return.

An efficiently constructed portfolio needs to reflect the impact of diminishing risk-adjusted marginal return -- known as volatility drag. We adjust for this increasing drag by requiring additional capital to cover the potential for larger losses that increased risk brings. As we move to the right on the efficient frontier, we eventually reach a point where the additional capital we are required to hold against increasing risk begins to dilute overall returns in the portfolio. This is the point of maximum efficiency. After this point, adding additional risk may increase absolute profitability, but due to the additional capital required to support this additional return, it reduces proportional return. Said differently, risk-adjusted return starts to decrease.

These same portfolio construction concepts apply to the strategic decisions we have made with respect to our business model over time. In the beginning, our risky asset was property catastrophe business. We constructed an efficient property catastrophe portfolio – relative to our risk tolerances – and delivered superior returns to our shareholders. As we expanded into lines of business beyond property catastrophe – initially organically, and then through our acquisition of Platinum Underwriters – we established a new efficient frontier that allowed us to generate a more optimal risk-adjusted return on capital through effective diversification, this time through mix of business (Property and Casualty and Specialty), as well as a more meaningful contribution from investment income as a result of the change in business mix.

Fast forward to today, where an increasingly important strategic differentiator is how we use our Capital Partners business to convert risky assets into essentially risk-free assets. It makes sense to think about it this way – we earn stable management fees and attractive profit commissions from this business, and do not require additional capital as we do not bear underwriting risk (except, obviously, for the portions of the Capital Partners balance sheets we retain). Capital Partners is a core feature of our business and has allowed us to establish yet another new efficient frontier – where the combination of diversified underwriting income, investment income and fee income further enhances expected risk-adjusted returns and, therefore, our ability to deliver superior long-term returns to our shareholders.

Considering our approach to seeking new efficient frontiers, two signature achievements of the year – acquiring Validus and growing our Capital Partners business – should appear both strategically advantageous and completely sensible. They are both deeply connected to maximizing the efficiency of our underwriting portfolio. The excess purchase price we paid over book value for Validus, and the profit we shared with our Capital Partners, represented reasonable tradeoffs for the increased efficiency they brought to us.

With Validus, the portfolio we obtained had similar risk and return characteristics to our existing portfolio. This was due in part to being well underwritten, and in part to its internal diversification. This made it efficient against our capital, as its similar position on the efficient frontier did not shift our portfolio to the right. A similarly sized increase in a monoline business, such as property catastrophe, would have required significantly more capital to support per dollar of additional expected return, shifting us further out the efficient frontier and decreasing the efficiency of our portfolio.

Similarly, sharing desirable risk with our Capital Partners is an efficiency maximizing exercise for us. Once we are past the optimal point on the efficient frontier, an additional unit of risk may be more efficient against partner capital than against our own. When that is the case, it is a win/win outcome to trade that risk for fee income.

This raises an important point about how we think about the third-party capital business. We approach the business as risk managers, not asset managers. Growing our Capital Partners business is never a goal in and of itself, but rather an outcome of having access to more desirable risk than we can efficiently support with our wholly owned capital. We begin with desirable risk, and seek to underwrite it profitably. When we choose to share it, it is not due to the decreased desirability of such business, but rather the increased efficiency of the resulting portfolio. We happily trade profitable underwriting risk for low volatility fee income when it is advantageous for us, and our shareholders, to do so. Our capital partners know and appreciate this and the trust it instills in them has helped make us a leading manager of third-party capital.

Importantly, these are just two examples of levers we pulled over the course of 2023 to maximize the efficiency of our portfolio. There were many more. As a large and diversified property and casualty reinsurer, we have access to a broad panoply of business lines that are both diversifying and have different risk/return parameters. I discussed how we grew certain lines, such as property catastrophe and other specialty, and shrank others, such as other property and professional liability lines. Non-renewing low returning lines is especially impactful, as this business is less diversifying and therefore not as beneficial to portfolio returns.

We also adjust the proportions of business we share with Capital Partners, as well as the size of our investment in these entities. Retrocessional purchases are also an important tool. In addition, we regularly adjust the asset mix of our investment portfolio to optimize expected returns and reflect its correlation to our underwriting portfolio.

All these actions may appear disparate. They are not. Each is deeply connected to the purpose of maximizing portfolio efficiency. This is the Integrated System at work.

The Role of Reinsurance

RenaissanceRe has been consistent in our conviction that reinsurance plays a critical role in absorbing volatility. For other market participants, reinsurance has fallen in and out of favor over the years, which we believe is the result of a fundamental misunderstanding of the role reinsurance plays in the value chain.

Reinsurance works best when it is used to manage the balance sheet volatility of our customers, where it can be the most efficient form of capital to do so. At times during the previous cycle, however, it sometimes served to remove substantial income statement risk. We never believed that this coverage was viable over the long term, as cedents must retain ownership of the risk that they write to ensure that underlying risks are properly priced.

Over the last 10 years, the role of the cedent and reinsurer became increasingly blurred as cedents retained less risk, and reinsurers, supported by a combination of pillared retro products and third-party capital chasing yield, moved closer to it. This relationship grew increasingly unbalanced until the end of 2022, when another year of catastrophic events and resurgent inflation caused a significant and abrupt restriction of capital, threatening the health of the market. RenaissanceRe took a leading role in the solution, quoting and providing capacity at pricing and terms and conditions required to bring the market back to rate adequacy and protect the critical risk transfer role that we have served for decades.

As we look toward the future, we believe that demand for reinsurance will persist, driven by economic and geopolitical uncertainty as well as the growing impact of climate change. At the same time, the capital markets, and reinsurance supply, will continue to have reduced tolerance for volatility given increased loss costs and attractive yields in other asset classes. RenaissanceRe's focus will be working to provide needed capacity while ensuring that rate adequacy is maintained.

Bermuda Corporate Income Tax

Before I close, I would like to briefly touch on recent changes in our tax environment. In 2023, the Bermuda Government adopted a 15% corporate income tax incepting in 2025, in response to the OECD global minimum tax rules. As a result, all things equal, we expect our effective tax rate will increase.

To put the potential impact of this change into perspective, however, keep in mind that our non-Bermuda balance sheets are already in tax-paying jurisdictions. Even in Bermuda, we are subject to a number of taxes, the most substantial being payroll tax. We also pay US federal excise tax of 1% of US originated premiums. So, while I do not want to diminish the potential impact of a 15% Bermuda income tax rate, this is not the sea change it might initially appear to be.

There are also some ameliorating factors that need to be considered. For example, in 2023 we recorded a net deferred tax asset or "DTA" of almost $600 million, which includes an amount related to an economic transition adjustment. This was provided for in the Bermuda legislation and is intended to provide a fair and equitable transition into the tax regime. This DTA will be utilized predominately over a 10-year period, starting in 2025. It will reduce, but not eliminate, our Bermuda cash tax payments in those years. This provision is independent from any credits or expense offsets that the Bermuda government may adopt in the future.

Throughout this process, the Bermuda Government has consulted extensively with stakeholders, including the international business community, with a strong focus on maintaining Bermuda's attractive business environment and robust regulatory framework.

In Closing

We are proud of what we achieved in 2023. Financially, we reported operating income available to common shareholders of $1.8 billion, operating return on average common equity of 29.3%, and change in tangible book value per common share plus change in accumulated dividends of 47.6%. Strategically, we delivered the step change in reinsurance pricing and terms and conditions and acquired one of the best reinsurance assets – Validus – in a transaction that was immediately accretive to shareholders across our key metrics.

We enter 2024 with a consistent strategy and significant momentum behind our Three Drivers of Profit. Favorable reinsurance market conditions persist. In addition, higher interest rates and asset leverage provide a strong tailwind for investment income. Finally, our Capital Partners business continues to grow, providing a source of stable, low volatility fee income. This positions us to continue creating long-term shareholder value in 2024 and beyond.

Thank you for your continued support.

Kevin J. O'Donnell
President and Chief Executive Officer

Cautionary Statement Regarding Forward-Looking Statements
Any forward-looking statements made in this Letter to Shareholders and Annual Report, including any statements regarding any future results of operations and financial positions, business strategy, plan and any objectives for future operations, reflect RenaissanceRe's current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are subject to numerous factors that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements, including the factors affecting future results disclosed in RenaissanceRe's filings with the SEC, including its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.