PartnerRe

Partner Reinsurance Company Ltd.

Financial Condition Report

December 31, 2017

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1. SUMMARY

Partner Reinsurance Company Ltd. (the Company) is an exempt company incorporated under the laws of Bermuda with limited liability and is 100% owned subsidiary of PartnerRe Ltd. (the Parent or PartnerRe), an international reinsurance group. The Parent is a wholly-owned subsidiary of EXOR Nederland N.V. and the ultimate parent company is EXOR N.V. (EXOR), a Dutch public limited liability company which is listed on the Milan stock exchange. The Company's principal office is located at 90 Pitt's Bay Road, Pembroke, Bermuda (telephone number: +1 441-292-0888).

This Financial Condition Report (FCR) is based on the Insurance (Public Disclosure) Rules 2015 which came into effect on January 1, 2016. These rules specify the requirement for commercial insurers to prepare an FCR and requires that it be made publicly available on the insurer's website. This report provides a discussion on the Company's Business and Performance (section 2) Governance Structure (section 3), Risk Profile (section 4), Solvency Valuation (section 5), Capital Management (section 6) and Subsequent Events (section 7).

PartnerRe is a leading global reinsurer, with a broadly diversified and balanced portfolio of traditional reinsurance and capital markets risks. The Company is one of four main operating companies world-wide within the PartnerRe group (the Group) which also includes Partner Reinsurance Europe SE (PartnerRe Europe), Partner Reinsurance Company of the U.S. (PartnerRe U.S.) and Partner Reinsurance Asia Pte. Ltd. (PartnerRe Asia).The Group is organized into business units that may be comprised of business from one or more operating companies. PartnerRe's long-term objective is to manage a portfolio of diversified risks that will create shareholder value. The Group's profitability in any particular period can be significantly affected by large catastrophic or other large losses and the impact of changes in interest rates on the fair value of investments. Accordingly, the Company's performance during any particular period is not necessarily indicative of its performance over the longer-term reinsurance cycle.

The Company's net (loss) income for the years ended December 31, 2017 and 2016 was ($65) million and $537 million, respectively, on a U.S. GAAP basis. See section 2 for a discussion of the Company's performance during the year.

The Company uses the standard Bermuda Solvency Capital Requirement (BSCR) model to assess the Enhanced Capital Requirement (ECR) or required statutory capital and surplus. The Available Statutory Economic Capital and Surplus, ECR and BSCR Ratio at December 31, 2017 and 2016 were as follows:

	2017	2016
Available Statutory Capital and Surplus	$ 3,683	$ 4,159
ECR	1,473	1,315
BSCR Ratio	250%	316%

The Company's eligible capital by tier at December 31, 2017 and 2016 was as follows (in millions of U.S. dollars):

	2017	2016
Tier 1	$ 3,683	$ 4,159
Tier 2	—	—
Tier 3	—	—
Total	**$ 3,683**	**$ 4,159**

This report is primarily based on the Company's Economic Balance Sheets (EBS) as at December 31, 2017 and 2016. In addition, certain sections include information based on the Company's December 31, 2017 Consolidated Financial Statements which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of the Company and its subsidiaries.

2. BUSINESS AND PERFORMANCE

2.1 BUSINESS

The Company commenced operations in November 1993.

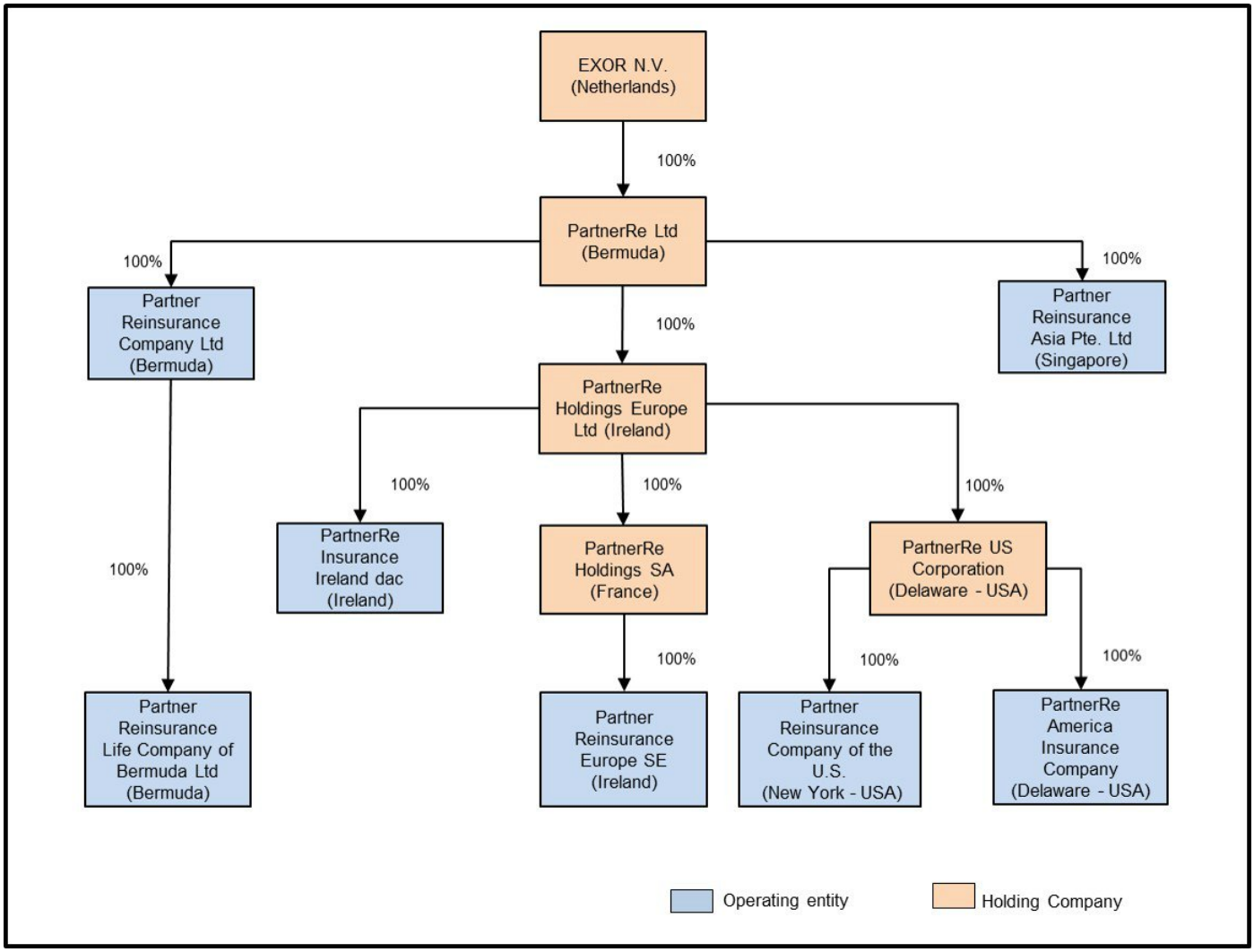
The Company predominantly provides reinsurance and certain specialty insurance lines on a worldwide basis. Risks reinsured include, but are not limited to, property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering, energy, marine, specialty property, specialty casualty, multiline and other lines, mortality, longevity, accident and health and alternative risk products. The Company's alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis. The Company also enters into reinsurance contracts with subsidiaries of the Parent including a 65% quota-share agreement from PartnerRe Europe; a 50% quota-share agreement from PartnerRe Asia, and a 45% quota-share agreement from PartnerRe U.S. (see section 3.1.14 - *Agreements with Related Parties*).

On March 18, 2016, following receipt of regulatory approvals, the Parent's publicly held common shares were acquired by Exor N.V., a subsidiary of EXOR S.p.A., one of Europe's leading investment companies controlled by the Agnelli family. In October 2016, Exor N.V. changed its name to EXOR Nederland N.V. In December 2016, EXOR S.p.A. merged with and into EXOR HOLDING N.V., a newly formed entity organized in the Netherlands and, in conjunction with the merger, EXOR HOLDING N.V. changed its name to EXOR N.V. EXOR N.V. is listed on the Milan Stock Exchange.

As a result of the acquisition, the Parent's publicly issued common shares were cancelled and are no longer traded on the NYSE. The Parent's preferred shares continue to be traded on the NYSE.

On April 3, 2017, after receiving regulatory approvals, the Parent completed the acquisition of 100% of the outstanding ordinary shares of Aurigen Capital Limited (Aurigen), a North American life reinsurance company. This acquisition enables the Parent to expand its life reinsurance footprint in Canada and the U.S. with limited overlap in market coverage.

The following diagram is a simplified structure chart and includes the material related reinsurance and insurance entities in the Group:



See Appendix I for a detailed Group structure chart.

The Bermuda Monetary Authority (BMA) has chosen the Company as the designated insurer for the purposes of Group Supervision, and the BMA currently acts as Group supervisor of the Parent and its subsidiaries. As Group Supervisor, the BMA is tasked with assessing the financial condition of the Group and coordinates the dissemination of information to other relevant competent authorities for the purpose of assisting in their regulatory functions and the enforcement of regulatory action against the Parent or any of its subsidiaries, including the power to impose restrictions on the ability of the relevant subsidiaries to declare dividends to the Parent. In addition, the Company is required to maintain the ECR imposed by the BMA under Bermuda law. Please refer to Appendix II for the contact details of the Group Supervisor and the approved auditor.

2.2 PERFORMANCE

The charts and financial information in this section are based on the Company's December 31, 2017 Consolidated Financial Statements prepared using United States Generally Accepted Accounting Principles (U.S. GAAP).

2.2.1 TECHNICAL RESULT

Premiums

Gross premiums written and earned are based upon reports received from ceding companies, supplemented by the Company's own estimates of premiums written and earned for which ceding company reports have not been received. The determination of premium estimates requires a review of the Company's experience with cedants, familiarity with each market, an understanding of the characteristics of each line of business and management's assessment of the impact of various other factors on the volume of business written and ceded to the Company. Premium estimates are updated as new information is received from cedants and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined. Net premiums written and earned are presented net of ceded premiums, which represent the cost of retrocessional protection purchased by the Company. Premiums are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which is generally one to two years. For U.S. and European wind and certain other risks, premiums are earned commensurate with the seasonality of the underlying exposure. Reinstatement premiums are recognized as written and earned at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on management's estimate of losses and loss expenses associated with the loss event. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts inforce.

Premiums related to individual life and annuity business are recorded over the premium-paying period on the underlying policies. Premiums on annuity and universal life contracts for which there is no significant mortality or critical illness risk are accounted for in a manner consistent with accounting for interest-bearing financial instruments and are not reported as revenues, but rather as direct deposits to the contract. Amounts assessed against annuity and universal life policyholders are recognized as revenue in the period assessed.

The Company's gross premiums written for the years ended December 31, 2017 and 2016 are as follows (in millions of U.S. dollars):

	2017	2016
Gross premiums written related to:		
Non-life	**$ 2,461**	$ 2,028
Life and Health	**622**	523
Total gross premiums written	**$ 3,083**	$ 2,551

Losses and Loss Expenses and Non-life and Life and Health Reserves

The reserves for non-life business include amounts determined from loss reports on individual treaties (case reserves), additional case reserves when the Company's loss estimate is higher than reported by the cedants (ACRs) and amounts for losses incurred but not yet reported to the Company (IBNR). Such reserves are estimated by management based upon reports received from ceding companies, supplemented by the Company's own actuarial estimates of reserves for which ceding company reports have not been received, and based on the Company's own historical experience. To the extent that the Company's own historical experience is inadequate for estimating reserves, such estimates may be

determined based upon industry experience and management's judgment. The estimates are continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided. Any adjustments are reflected in the periods in which they are determined, which may affect the Company's operating results in future periods.

The life and health reserves have been established based upon information reported by ceding companies, supplemented by the Company's actuarial estimates, which for life include mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty. Future policy benefit reserves for annuity and universal life contracts are carried at their accumulated values. Reserves for policy claims and benefits include both mortality and critical illness claims in the process of settlement, and claims that have been incurred but not yet reported.

The Company purchases retrocessional contracts to reduce its exposure to risk of losses on reinsurance assumed. Reinsurance recoverable on paid and unpaid losses involves actuarial estimates consistent with those used to establish the associated liabilities for non-life and life and health reserves.

The Company's Non-life and Life and Health net incurred losses for the years ended December 31, 2017 and 2016 are as follows (in millions of U.S. dollars):

	2017	2016
Net incurred losses related to:		
Non-life	**$ 1,599**	$ 1,072
Life and Health	**570**	443
Total net incurred losses	**$ 2,169**	$ 1,514

Technical Result

Technical result consists of net premiums earned less losses and loss expenses and acquisition costs. Technical result should not be considered a substitute for net income or loss and does not reflect the overall profitability of the business, which is also impacted by investment results and other items.

The Company's Non-life and Life and Health technical result (excluding net investment income) for the years ended December 31, 2017 and 2016 are as follows (in millions of U.S. dollars):

	2017	2016
Technical result:		
Non-life	**(156)**	223
Life and Health	**(61)**	(15)
Total technical result	**(217)**	208

The Non-life underwriting result for 2017 primarily reflected large catastrophic losses related to hurricanes Harvey, Irma Maria and the California Wildfires. The 2017 Non-life technical result also included net favorable prior year development of $206 million. The Non-life underwriting result for 2016 included losses from the Canadian Wildfires, hurricane Matthew and a Ghana energy loss. The 2016 Non-life underwriting result also included favorable prior year development of $284 million.

The underwriting loss in the Life and Health segment in 2017 was primarily due to losses in Health, partially offset by gains in Life. The loss in the Health business resulted from an increase in frequency of large claims activity in underwriting years 2015 to 2017, primarily in the Affordable Care Act related programs.

2.2.2 INVESTMENT RESULT

The Company's total return was 5.6% and 3.6% in 2017 and 2016, respectively.

	2017	2016
Fixed maturities	**5.8%**	4.3 %
Short-term investments, cash and cash equivalents	**0.8%**	0.5 %
Equities	**16.5%**	(8.3)%
Other invested assets	**4.8%**	4.0 %
Total Return	**5.6%**	3.6 %

In 2017, the Company's investment portfolio benefited from a market environment characterized by relatively low volatility, and positive performance of most asset classes, particularly at the higher end of the risk spectrum. In particular, the Company benefited from positive performances in public and private equity. Compression of credit spreads resulted in gains in the investment-grade corporate bond portfolio, more than offsetting the losses generated by the moderate increase in U.S. risk-free rates. In 2016, the total accounting return reflected overall mark to market gains, notwithstanding increases in U.S. and European risk-free interest rates.

Net Investment Income

Net investment income includes interest, dividends and amortization, net of investment expenses, generated by the Company's investment activities, as well as interest income generated on funds held assets. Net investment income by asset source for the years ended December 31, 2017 and 2016 was as follows (in millions of U.S. dollars):

	2017	2016
Fixed maturities	**$ 168**	$ 204
Short-term investments, cash and cash equivalents	**—**	1
Equities	**—**	3
Funds held and other	**17**	24
Investment expenses	**(27)**	(26)
Net investment income	**$ 158**	$ 206
Interest income on intercompany loans	**6**	10
Total investment income	**$ 164**	$ 216

Net investment income decreased in 2017 compared to 2016 mainly as a result of lower income from fixed income securities, primarily due to a change in investment portfolio composition.

Net Realized and Unrealized Investment Gains (Losses)

Net realized and unrealized investment gains or losses include sales of the Company's fixed income securities, equity securities and other invested assets and changes in net unrealized gains or losses.

The Company's portfolio managers have a total return investment objective, achieved through a combination of optimizing current investment income and pursuing capital appreciation. To meet this objective, it is often desirable to buy and sell securities to take advantage of changing market conditions and to reposition the investment portfolios. Accordingly, recognition of realized gains and losses is considered by the Company to be a normal consequence of its ongoing investment management activities. In addition, the Company records changes in fair value for substantially all of its investments as unrealized investment gains or losses in its Consolidated Statements of Operations. Realized and

unrealized investment gains and losses are generally a function of multiple factors, with the most significant being prevailing interest rates, credit spreads and equity market conditions.

The components of net realized and unrealized investment gains (losses) for the years ended December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

	2017	2016
Net realized investment gains on fixed maturities and short-term investments	**$ 31**	$ 30
Net realized investment (losses) gains on equities	**(5)**	30
Net realized (losses) gains on other invested assets	**(8)**	3
Change in net unrealized gains on other invested assets	**46**	16
Change in net unrealized investment gains (losses) on fixed maturities and short-term investments	**73**	(8)
Change in net unrealized investment gains (losses) on equities	**57**	(37)
Total net realized and unrealized investment gains	**$ 194**	$ 34

The net realized and unrealized investment gains of $194 million in 2017 were primarily due to narrowing of credit spreads, partially offset by increases in U.S. risk-free interest rates. The net realized and unrealized investment gains of $34 million in 2016 were primarily due to narrowing of credit spreads, partially offset by increases in U.S. risk-free interest rates.

Interest in Losses of Equity Method Investments

Interest in losses of equity method investments represents the Company's aggregate share of earnings or losses related to several private placement investments and limited partnership interests. The Company recorded gains of $75 million in 2017, primarily due to a significant gain related to Almacantar, a privately held real estate investment and development group, and losses of $34 million in 2016 related to several private placement investments and limited partnerships.

2.2.3 OTHER INCOME AND EXPENSES

The components of net income for the years ended December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

	2017	2016
Technical result:		
Non-life	**(156)**	223
Life and Health	**(61)**	(15)
Investment result:		
Net investment income	**164**	216
Net realized and unrealized investment gains	**194**	34
Interest in earnings (losses) of equity method investments	**75**	(34)
Other components of net income		
Other income	**5**	7
Other expenses	**(34)**	(41)
Net foreign exchange (losses) gains	**(251)**	150
Income tax expense	**(1)**	(3)
Net income	**(65)**	537

The decrease in net income in 2017 compared to 2016 was primarily due to the change from foreign exchange gains in 2016 to losses in 2017 and the reduction in the Non-life technical result, which were partially offset by a higher level of net realized and unrealized investment gains in 2017.

3. GOVERNANCE STRUCTURE

3.1 BOARD AND SENIOR EXECUTIVE

Directors

The directors of the Company oversee the management of the Company's business and affairs and are responsible for the corporate governance framework. The directors are elected annually at the Company's annual general meeting and as at December 31, 2017, consisted of the following persons, each of whom is either a senior executive of the Company or PartnerRe:

1. Emmanuel Clarke;
2. Mario Bonaccorso;
3. Greg Haft; and
4. Lee Iannarone.

Senior Executives

The Company's senior executives are responsible for the development and execution of the Company's internal controls, budgets, strategic plans and objectives. As at December 31, 2017, the senior executives consisted of the following persons:

1. Wanda Mwaura - Principal Representative
2. Terry Kuruvilla - Chief Actuarial Officer - Non-Life
3. Romain Bridet - Chief Actuarial Officer - Life and Health
4. Greg Haft - Chief Underwriting Officer
5. Peter Antal - Chief Risk Officer
6. Jose Lopez - Chief Financial Officer
7. Ryan Lipschutz - Treasurer
8. Joseph Hooks - Vice President, Senior Underwriter
9. Nicholas Hughes - Vice President, Senior Underwriter
10. Lee Iannarone - Secretary, General Manager, General Counsel, Group Rep & Compliance Officer

3.1.1 CORPORATE GOVERNANCE FRAMEWORK

The Parent is a Bermuda domiciled company with a listing of its non-voting preferred shares on the New York Stock Exchange (the NYSE). It is a registrant with the Securities and Exchange Commission (the SEC) and is deemed to be a "foreign private issuer" by the SEC. The Group is therefore subject to the requirements of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) and related rules enacted by the SEC.

The quarterly reports on Form 6-K and the annual report on Form 20-F filed by the Parent with the SEC include the consolidated results of the Group and its subsidiaries and affiliates. The governance requirements established by Sarbanes-Oxley for the purpose of ensuring appropriate control, oversight and disclosure of matters of interest to all stakeholders are very much aligned with the Insurance Code of Conduct adopted by the BMA. The Company, as a registered (re)insurer under the laws of Bermuda, is regulated by the BMA and subject to the applicable laws and regulations under Bermuda law.

In considering the appropriate level of oversight for the Company we have looked at the overall governance structure of the Group. The Board of the Company has established a comprehensive corporate governance framework which upholds

the governance framework established at the Group level in order to ensure consistency of standards. The Company's corporate governance framework includes the following:

- Company's Bye-Laws;
- PartnerRe's Code of Business Conduct and Ethics;
- PartnerRe's Enterprise Risk Management framework;
- PartnerRe's Group Subsidiary Corporate Governance Principles;
- Company's Audit Committee Charter; and
- Company's Risk Committee Charter.

Code of Business Conduct and Ethics

The Company has adopted PartnerRe's Code of Business Conduct and Ethics, which applies to all directors, officers and employees of the Company. Any specific waiver of its provisions requires the approval of the Audit Committee of PartnerRe. Any reported violation to the Code of Business Conduct and Ethics will be investigated and may result in disciplinary action, as appropriate. The outcome of any investigation is shared with the Audit Committee of PartnerRe and the Audit Committee of the Company as relevant and appropriate.

Meetings and Committees of the Board

The Board has established two standing committees: an Audit Committee and a Risk Committee. Each committee has a charter that, among other things, reflects current best practices in corporate governance. Below is a brief description of the role of each committee:

Audit Committee

Pursuant to its charter, the Audit Committee's primary responsibilities are to assist Board oversight of:

- The Company's annual and periodic statutory filings and audited financial statements;
- the effectiveness of internal control and risk management processes and compliance on regulatory and legal matters;
- the independent auditor's qualifications and independence; and
- the performance of PartnerRe's internal audit function and independent auditors. The Audit Committee regularly meets with management, internal audit and the Company's independent registered public accounting firm to review matters relating to the quality of financial reporting and internal accounting controls, including the nature, extent and results of their audits.

Risk Committee

Under the terms of its charter, the Risk Committee oversees the Company's risk management framework policies and practices as well as its capital management policies and processes. The Risk Committee has oversight responsibility for the Company's policies and activities related to:

- overall management of the Company's risks pursuant to the business strategy and risk guidelines established by the Board;
- capital management including issuance and retirement of capital, declaration of dividends and internal capital movements; and
- oversight of the risk management function.

The Risk Committee regularly meets with management and with the Company's Risk Officer to monitor and review the Company's risk management activities in light of the strategies approved by the Board.

The Board's Role in Risk Oversight

As a reinsurance entity, the Company assumes risk in order to achieve its strategic objectives and return targets; however, it is necessary that risk be assumed within an enterprise risk management framework in accordance with an established risk appetite. PartnerRe has a risk management framework that operates across the entire group. The framework is approved and monitored by the PartnerRe Board. The framework recognizes the needs and requirements of each operating entity within the group and the risk officer of the Company has a dual reporting role, both to the Risk Committee of the Company and the centralized risk function at PartnerRe Group. The Company's risk officer is responsible for ensuring appropriate risk monitoring and to discuss the Company's risk management framework and risk inventory. The Company's risk officer is subject to annual assessments of fitness.

As described above, PartnerRe has an enterprise risk management framework which looks across the Group. The Company's Risk Committee will link to PartnerRe's Group Enterprise Risk Committee to ensure consistency of practice and due consideration of operating entities within the Group. This linkage is established by having members of the Company's Risk Committee serving as members of PartnerRe's Group Enterprise Risk Committee. In addition, the Board has access to the reports prepared by the Capital and Risk function for the PartnerRe Board.

PartnerRe's Board sets both the risk appetite and return goals for the Group and the Board is responsible for setting the strategies and policies that both support execution of the PartnerRe Group strategy and are in the best interest of the Company. The Board remains responsible for oversight of the risk management and internal controls framework of the Company and, under the PartnerRe delegation of authority policy, manages and executes the day-to-day operations of the Company and its branches.

The Company utilizes the resources of PartnerRe's group internal audit function to ensure an independent review of the Company's internal control framework and risk management practices. The Audit Committee of the Company has access to internal audit activities, reports and findings and to all relevant reports for the Audit Committee of PartnerRe's Board. The Board has adopted an internal audit charter acknowledging that the internal audit function draws its authority from PartnerRe's Board. The Audit Committee of the Company reviews the annual Internal Audit Plan and has input to the Internal Audit planning process to ensure that specific Company needs can be addressed in the context of the Group internal audit plan.

3.1.2 REMUNERATION POLICY

Director Compensation

The directors of the Company do not receive compensation for their services as a director of the Company.

Employee Compensation

The Company's compensation program is designed to provide a combination of fixed annual compensation, short-term incentive compensation, and long-term incentive compensation. The realization of the Company's short-term incentive compensation and long-term incentive compensation depends upon the attainment of a range of performance (individual and group) metrics.

3.1.3 PENSION

The Company has adopted defined contribution pension plans and contribute a percentage of earnings on behalf of all eligible employees. Employees may elect to make additional voluntary contributions into their applicable pension plan. The funds held in the plans are invested in fund options chosen by the individual employee, and are administered by a third-party advisor.

3.1.4 AGREEMENTS WITH RELATED PARTIES

Reinsurance Agreements

The Company enters into reinsurance contracts with subsidiaries of the Parent. As at December 31, 2017, the Company had the following reinsurance agreements with affiliated companies:

- a 45% quota-share agreement to assume new business from PartnerRe U.S. PartnerRe U.S. is subject to regulation under the insurance statutes and regulations of New York and all states where it is licensed, accredited or approved to underwrite insurance and reinsurance.

- a 65% quota-share agreement to assume existing and new business from PartnerRe Europe. PartnerRe Europe is a public limited liability company incorporated and domiciled in Ireland, and regulated by the Central Bank of Ireland.

- a 50% Quota Share agreement to assume new and renewal business from PartnerRe Asia. PartnerRe Asia is licensed by the Monetary Authority of Singapore (MAS) to operate as a non-life and life reinsurer in Singapore and is the principal reinsurance carrier for the Parent's business underwritten in the Asia Pacific region.

- a 90% Quota Share agreement to assume new and renewal business from PartnerRe Corporate Member Limited. PartnerRe Corporate Member Limited writes insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

Loan Agreements

During 2017, a loan agreement for €167 million with PartnerRe Holdings B.V., an affiliate was settled. The loan accrued interest at 5.4% per annum and the amount of interest income on the loan during 2017 and 2016 amounted to $4.8 million and $10.0 million, respectively.

The Company has a loan agreement for $50 million with Aurigen Capital Limited, an affiliate. The loan was entered into on March 15, 2017 and accrues interest at the 3-month Libor plus 375 basis points per annum and matures on December 31, 2019. At December 31, 2017 the balance of the loan was $39.4 million. The amount of interest income on the loan during 2017 amounted to $1.3 million.

The Company has other advances to affiliates totaling $831.6 million and $162.3 million at December 31, 2017 and 2016, which are primarily related to amounts advanced to or paid on behalf of its Parent. These amounts bear no interest, have no fixed repayment terms and no collateral has been given.

The Company has other liabilities to affiliates totaling $22.7 million and $19.4 million, respectively, at December 31, 2017 and 2016, representing expenses incurred in the normal course of operations. Amounts due to affiliates bear no interest, have no fixed repayment terms and no collateral has been given.

Service Agreements

In the normal course of operations, the Company provides services to, and receives services from, other subsidiaries of the Parent under various underwriting, investment management and information technology service agreements.

Other

Deferred Gain

The Company has a deferred gain of $85.3 million and $84.3 million, at December 31, 2017 and 2016, respectively, related to the Assumption Reinsurance Agreement with the Canadian Life branch of PartnerRe Europe.

Almacantar Group S.A.

In March 2016, the Company purchased from Exor S.A. a 36% shareholding in the privately held United Kingdom real estate investment and development group, Almacantar Group S.A. (Almacantar) for total cash consideration of approximately $539 million. At December 31, 2017 and 2016, the total carrying value of the Almacantar investment accounted for under the equity method was $538 million and $436 million, respectively.

In March 2016, the Company purchased from Exor S.A. certain financial investments, mainly third-party equity funds, for cash consideration of approximately $128 million.

These transactions between related parties were entered into at arms-length.

Exor Funds

During 2017, the Company invested $500 million in certain Exor managed equity funds. At December 31, 2017 the carrying value of these investments was $551 million.

3.2 FITNESS AND PROPRIETY REQUIREMENTS

3.2.1 FIT AND PROPER PROCESS IN ASSESSING THE BOARD AND SENIOR EXECUTIVE

Significant Board Practices

The Company and the PartnerRe Group recognize the importance of ensuring the competence of senior executives and directors and their capacity and suitability to fulfil the responsibilities for their positions.

Board of Directors: Fit and Proper Assessment

A Board shall be composed:

- of directors having an appropriate mix / level of experience and expertise;
- of a sufficient number of directors to ensure active discussion/ debate of issues, adequately staffed Board Committees, if any, and in order to comply with applicable legal/regulatory requirements; and
- to optimize operational efficiency and cost effectiveness.

Senior Executive: Fit and Proper Assessment

Appointed officers of each company must fit the following criteria:

- have necessary experience and qualifications to satisfy any regulatory "fit and proper" standards as applicable;
- constitute the appropriate number of officers and specific roles as required for carrying out business determined by the General Manager/Chief Executive Officer along with Legal;
- be PartnerRe employees;
- are not required to be Directors of the Company;
- be appointed in consultation with the Chief Executive Officer/General Manager and the head of relevant support function, if applicable; and
- satisfy the minimum description of the role and responsibilities for Chief Executive Officer/General Manager, Chief Financial Officer/Head of Finance, Actuarial Officer, Compliance Officer/Company Secretary and Chief Risk Officer.

Advance Materials

Information and data important to the directors' understanding of the business or matters to be considered at a Board or committee meeting are, to the extent practical, distributed sufficiently in advance of the meeting to allow careful review. The Chairman, in conjunction with the Chief Executive Officer, establishes on an annual basis an agenda of topics for consideration and review by the Board during the following year. This annual schedule of topics is then provided to the full Board for review and comment and is adjusted, as appropriate, during the year. In addition, the Chairman and each committee sets a quarterly agenda in advance of all Board and committee meetings.

Access to Management

Directors have full and unrestricted access to management. In addition, key members of management attend Board meetings to present information about the results, plans and operations of the business within their areas of responsibility.

Access to Outside Advisers

The Board and its committees may retain external counsel or consultants on their own initiative. For example, the Audit Committee has the authority to retain and terminate the independent auditor.

3.2.2 PROFESSIONAL QUALIFICATIONS, SKILLS AND EXPERTISE OF THE BOARD AND SENIOR EXECUTIVES

Biographies of the Board of Directors of the Company:

Emmanuel Clarke
Mr. Clarke is President and Chief Executive Officer of PartnerRe Ltd. and is also a member of PartnerRe Ltd.'s Executive Committee. He joined PartnerRe in 1997, with the acquisition of SAFR, and was appointed Head of Credit and Surety, Global in 2001, additionally Deputy Head of Specialty Lines, Global in 2002, Head of Property and Casualty, Global in 2006 and Head of Specialty Lines, Global in 2008. He was appointed to the position of President of PartnerRe Ltd. in September 2015 and Chief Executive Officer in March 2016. Mr. Clarke has a Master Studies in Business Administration from the Universite Paris, IX - Dauphine, specializing in Finance and Controlling and an MBA in International Business from the City University of New York.

Mario Bonaccorso

Mr. Bonaccorso is Executive Vice President and Chief Financial Officer of PartnerRe Ltd. and a member of PartnerRe Group's Executive Committee and is responsible for the PartnerRe Group's financial operations. Prior to joining PartnerRe, Mr. Bonaccorso served as Managing Director of EXOR for eight years where he was responsible for Investments and for the management of EXOR's portfolio companies. Prior to joining EXOR, Mr. Bonaccorso worked as a Research and Development Telecom Engineer at Qualcomm Inc., as an engagement manager at McKinsey and Co. and as Chief Investment Officer of Jupiter Finance. Born in Italy in 1976, Mr. Bonaccorso has a Master of Science cum laude in Telecommunications Engineering at Politecnico di Torino University and an MBA with honors from INSEAD. Mr. Bonaccorso has served on behalf of EXOR on the Board of Directors of Cushman & Wakefield, Banijay Holding and Banca Leonardo and served as a director of EXOR SA.

Greg Haft
Mr. Haft joined PartnerRe in June 2013 and is responsible for the effective management of the Catastrophe Underwriting function in Bermuda to successfully deliver agreed objectives as identified in the annual Catastrophe Business Unit Plan. He is a member of the Global Business Unit Catastrophe senior management team. Prior to joining PartnerRe, Mr. Haft was a Managing Director, US Cat Reinsurance and Outwards Re with Alterra Bermuda Limited from 2010 through 2013; Senior Vice President US and UK Cat Reinsurance with Harborpoint Re Bermuda from 2005 through 2010; Vice President and Actuary of Chubb Re Bermuda/Chubb Atlantic from 2002 through 2005 and Assistant Vice President and Actuary of Chubb & Son, Inc. from 1993 through 2002. Mr. Haft holds a B.S.c from the University of Michigan, Mathematics & Statistics, is a Fellow of the Casualty Actuarial Society and is a Certified Cat Risk Analyst.

Lee Iannarone
Mr. Iannarone is the General Counsel of PRE Bermuda and the PartnerRe Investments Group and joined PartnerRe in January 2011 as the General Counsel and CCO of the PartnerRe Investments Group. Mr. Iannarone assumed the additional responsibility of General Counsel of PRE Bermuda in October 2017. Mr. Iannarone began his legal career at the law firm O'Melveny and Myers in their NY and London offices from 1999 to 2005 as an Associate and was promoted to Counsel in 2004. Mr. Iannarone practiced law at the firm Mandel Katz & Brosnan in London from 2005 to 2008 prior to working as Associate General Counsel and CCO of Sandell Asset Management, a multi-strategy hedge fund, in their London and NY offices from 2008 to 2011. Mr. Iannarone holds a BA in Accounting and Finance from Gettysburg College and a JD from Georgetown University Law Center and has been a member of the NY State Bar Association since 2000.

Biographies of Executive Management of the Company:

Wanda Mwaura - Principal Representative
Ms. Mwaura is the Chief Accounting Officer for the PartnerRe Group and is responsible for external reporting and accounting policy for SEC, US GAAP and IFRS reporting. Ms. Mwaura joined PartnerRe in October 2013 as the Head of External Reporting and Accounting Policy. Prior to that she was an Audit Partner in the Financial Services practice of Ernst & Young Bermuda, primarily responsible for audits of (re)insurance entities. Ms. Mwaura joined Ernst & Young Bermuda in January 1996 as a Staff Accountant and over the years was promoted to Senior, Supervisor, Manager, Senior Manager and Partner. During her career at EY, Ms. Mwaura led the audits and consulting engagements (including internal audit, internal control compliance and other special projects) for many insurance captives, SEC registrants and many other reinsurance and asset management clients. Ms. Mwaura has participated on numerous boards and committees over the years, including the Bermuda Insurance Institute, The Institute of Chartered Accountants of Bermuda (ICAB) and the Atlantic School of Chartered Accountants. She holds a Bachelor of Commerce degree from Dalhousie University, is a Canadian CPA, CPA (State of Maine), and is a member of CPA Bermuda (formerly ICAB).

Terry Kuruvilla - Chief Actuarial Officer - Non-life
Mr. Kuruvilla is responsible for the management and oversight of the quarterly reserve processes and peer review of business unit reserve studies. He has over 20 years of experience in the actuarial field and was a Senior Vice President & Chief Actuary with XL Re, Latin America from 2010 to 2012 prior to joining PartnerRe in August 2012. Mr. Kuruvilla was a Vice President & Financial Actuary with XL Re, Bermuda from 2005 -2010. Mr. Kurvuilla joined Saint Paul

Companies/Travelers as an Actuarial assistant in 1997, was promoted to Senior Actuarial Assistant in 1999 and was promoted to Actuary in 2001 until 2005. Mr. Kuruvilla is a Fellow of the Casualty Actuarial Society.

Romain Bridet - Chief Actuarial Officer - Life
Mr. Bridet is responsible for Life reserving activities within PartnerRe. He has over 10 years of experience in the Life actuarial field. He started as a Life reserving actuary at GPA, a subsidiary of the Generali Group. He joined PartnerRe in 2004 and he worked as an actuary in both pricing and reserving roles for Life risks. He is a member of the French Institute of Actuaries and he holds the Certified Enterprise Risk Actuary (CERA) qualification.

Peter Antal - Chief Risk Officer
Mr. Antal joined PartnerRe in November 2016 as Head of Capital and Risk. Prior to joining PartnerRe, Mr. Antal worked with Swiss Re for over 20 years as a member of the Actuarial team culminating in his appointment as Chief Actuary of the Financial Services Business Group (Managing Director) and Head of the Actuarial Department. He was then promoted to Head of Product Strategy and then held the title of Head of Risk Modeling for six years prior to leaving to take up the role at PartnerRe. Mr. Antal has a PhD in Mathematics from ETH (Swiss Federal Institute of Technology, Zurich), is a Chartered Financial Analyst and a Fellow of the Swiss Actuarial Society. He acts as an expert for the IMF and has lead several technical assistance missions in the Caribbean region and is fluent in German, English, French and Hungarian.

Greg Haft - Chief Underwriting Officer
See biography details above.

Jose Lopez - Chief Financial Officer
Mr. Lopez is responsible for management and oversight of the financial reporting and control environment for the Company. Prior to re-joining PartnerRe in May 2009, Mr. Lopez was Vice President Financial Reporting and Vice President Investor Relations with XL Capital Ltd. from 2004 through 2009. From 2001 through 2004 Mr. Lopez was a Senior Manager of External Reporting at Bacardi Ltd. Before that Mr. Lopez was with PartnerRe from 1996 through 2001 where he progressed from a Senior Financial Accountant to Assistant Controller Investments. Mr. Lopez has a BS in Accounting from Illinois State University and is a CPA.

Ryan Lipshutz - Treasurer
Mr. Lipschutz is responsible for PartnerRe Group's foreign currency, treasury and cash and collateral management functions in his capacity as Treasurer of PartnerRe. Mr. Lipschutz joined PartnerRe in April 2003 and has held various positions within the Treasury function including Assistant Treasurer, Investment & Treasury Analyst and Treasury Director. Prior to joining PartnerRe, Mr. Lipschutz was an accountant with Tewksbury Capital Management (formerly Trout Trading Management Company) from 1998 through 2003. While Mr. Lipschutz was an auditor with Deloitte & Touche from 1993 through 1998, he successfully passed the certified public accounting exams. Mr. Lipschutz holds a B.A from Muhlenberg College and is Chartered Financial Analyst. Mr. Lipschutz was appointed Treasurer of PRE Bermuda as of April 27, 2016.

Nicholas Hughes - VP, Senior Underwriter
Mr. Hughes is responsible for underwriting the inwards retrocession and Cat on D&F portfolio, as well as selected US accounts. Mr. Hughes joined PartnerRe in June 2008 as an Assistant Underwriter in the Catastrophe Business Unit. He was seconded to the Zurich Branch office in August 2012 to underwrite the international catastrophe portfolio and gain underwriting experience in other lines of business. Mr. Hughes returned to the Bermuda office in September 2014 as a VP Senior Underwriter. Prior to joining PartnerRe, Mr. Hughes was a Global Lead Audit Senior with Ernst & Young Ltd., Bermuda, responsible for auditing SEC-registered reinsurance companies within the Insurance Practice from 2006 to 2008. Before that Mr. Hughes worked for Ernst & Young LLP., London, obtaining his CA from the Institute of Chartered Accountants of Scotland. Mr. Hughes holds a BA (Hons) in Economics & Management from Oxford University, U.K. and in an Associate in Reinsurance from the Insurance Institute of America.

Joseph Hooks - VP, Senior Underwriter
Mr. Hooks is responsible for underwriting North American property catastrophe risk for Partner Reinsurance Company

Ltd. and joined PartnerRe in September 2012 in his current role as VP - Senior Underwriter. Mr. Hooks began his reinsurance career in 1999 as an actuarial analyst for NAC Re which was purchased by XL in that same year. In November 2002, he joined the casualty treaty underwriting team and underwrote all lines of casualty reinsurance. In April 2005, he left XL to join Flagstone Re as the Specialty Underwriter underwriting WC cat, casualty clash, marine, energy, aviation, agricultural, space as well as some property cat, risk and proportional. In August 2011, he assumed the role of CUO - North America at Flagstone with a focus being more on property catastrophe business. Mr. Hooks holds a BS in Physics from Fairfield University with a minor in Mathematics. He also holds the ARe, CPCU and RPLU designations.

Lee Iannarone - Secretary, General Manager, General Counsel, Group Representative & Compliance Officer
See biography details above.

Gemma Carreiro - Secretary and Associate General Counsel - Resigned Effective October 31, 2017
Mrs. Carreiro was the Associate General Counsel of PRE Bermuda and joined PartnerRe in March 2014. Mrs. Carreiro started her legal career with Cox Hallett Wilkinson in 2004 where she completed her pupilage and was promoted to Associate in 2005. In 2007, Mrs. Carreiro took up a position with Conyers Dill & Pearman Limited in their Corporate / Insurance department and was promoted to Senior Associate. Mrs. Carreiro holds a BA Law (Scots) from Napier University, a Post-Graduate Degree in Law and a Legal Practice Certificate from the College of Law, York and was called to the Bermuda Bar in August 2005.

Seth Darrell - Associate General Counsel
Mr. Darrell is the Associate General Counsel of PRE Bermuda and joined PRE Bermuda in March 2018. Mr. Darrell joined PartnerRe from Appleby (Bermuda) Limited where he practiced corporate and commercial law with an emphasis on non-contentious (re)insurance transactional work, debt and equity securities, cross-border mergers and acquisitions and other structured finance transactions from September 2011 to March 2018. Mr. Darrell received his LLB (Hons) from Queen Mary, University of London, England and completed the Legal Practice Course at BPP Law School, Birmingham. He is a practicing member in good standing of the Bermuda Bar Association.

3.3 RISK MANAGEMENT AND SOLVENCY ASSESMENT

PartnerRe's Group Enterprise Risk Management framework outlines group-wide policies and procedures applicable to the Group and are cascaded down to its subsidiaries, including the Company. Therefore, the following sections include a description of what occurs at the Group level.

3.3.1 RISK MANAGEMENT PROCESSES AND PROCEDURES

In the reinsurance industry, the core of the business model is the assumption and management of risk. A key challenge is to create economic value through the intelligent and optimal assumption and management of reinsurance, capital market and investment risks while limiting and mitigating those risks that can destroy value, those risks for which the organization is not sufficiently compensated, and those risks that could threaten the ability of the Group to achieve its objectives.

The Group defines a capital-based risk appetite and then looks for risks that meet its return targets within that framework. Management believes that this construct allows the Group to deliver to shareholders an adequate risk adjusted return, while ensuring appropriate margins exists to pay policyholders' claims.

All business decisions entail a risk/return trade-off, and these decisions are applicable to the Group's risks. In the context of assumed business risks, this requires an accurate evaluation of risks to be assumed, and a determination of the appropriate economic returns required as fair compensation for such risks. In the context of other than voluntarily assumed business risks, the decision relates to comparing the probability and potential severity of a risk event against the costs of risk mitigation strategies. In many cases, the potential impact of a risk event is so severe as to warrant significant, and potentially expensive, risk mitigation strategies. In other cases, the probability and potential severity of a risk does not warrant extensive risk mitigation.

Successful risk management is the foundation of the Group's value proposition, with diversification of risks at the core of its risk management strategy. The Group's ability to succeed in risk assumption and business management is dependent on its ability to accurately analyze and quantify risk, to understand volatility and how risks aggregate or correlate, and to establish the appropriate capital requirements and limits for the risks assumed. All risks, whether they are reinsurance-related risks or capital market risks, are managed by the Group within an integrated framework of policies and processes to ensure the intelligent and consistent evaluation and valuation of risk, and to ultimately provide an appropriate return to shareholders.

The Group's results are primarily determined by how well the Group understands, prices and manages assumed risk. Management also believes that every organization faces numerous risks that could threaten the successful achievement of its goals and objectives. These include strategic, financial and operational risks that are common to all industries, such as choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity.

The Group has a clearly defined governance structure for risk management. The Group has established an Enterprise Risk Committee (ERC) which, in junction with the Board, are responsible for setting the overall vision and goals of the Group, which include the Group's risk appetite and return expectations. The Group's risk framework, including key risk policies, is recommended by Executive Management through ERC and approved by the Board. Each of the Group's risk policies relates to a specific risk and describes the Group's approach to risk management, defines roles and responsibilities relating to the assumption, mitigation, and control processes for that risk, and an escalation process for exceptions. Risk management policies and processes are coordinated by the Capital & Risk department and compliance is verified by Internal Audit on a periodic basis. The audit results are monitored by the Audit Committee of the Group's Board.

The Group utilizes a multi-level risk management structure where the Executive Management and Board are responsible for the establishment of the critical exposure limits, capital at risk and key policies. Nevertheless, the execution of Business activities and related risk mitigation strategies are delegated to the Business Units ("BU"). These activities are represented in risk control practices embedded in the BUs which support the high level policies. Reporting on risk management activities is integrated within the Group's annual planning process, quarterly operations reports, periodic reports on exposures and large losses, and presentations to the Executive Management and Board. Individual Business Units and Support Units employ, and are responsible for reporting on, current risk management procedures and controls, while Internal Audit periodically evaluates the effectiveness of such procedures and controls.

3.3.2 IMPLEMENTATION OF RISK MANAGEMENT AND SOLVENCY SELF ASSESSMENT SYSTEMS

3.3.2.1 Enterprise Risk Management Framework

To be successful and embedded within the organization, the Group's ERM framework integrates the following key components.

People and Skills

- Effective embedding of risk management across the organization and at all levels - recruitment and determination or delivery of role profiles, objectives, appraisals, reviews, and rewards.
- Risk culture implemented across the entire organization, assessed periodically.
- Alignment of behaviors with risk adjusted performance.
- Flexible risk resources with ability to adapt with changing business priorities.
- Functional expertise and proactive review and challenge.
- Attract and retain qualified and skilled individuals.

Governance

- Comprehensive group wide risk governance framework designed to assess, mitigate and manage risk through a multi-line of defense model providing for an effective balance of business control, oversight and assurance.
- Governance principles embedded in the values, behaviors and code of conduct throughout the organization.
- Oversight including insightful analysis and challenge by Group and Subsidiary boards on all key decisions.
- Group board and executive management interact effectively to deliver an agreed Group strategy.
- Organizational structure that encourages clear accountability and ownership aligned with legal entity structure.
- Legal Entity boards oversee execution of strategy consistent with local regulatory and governance requirements.

Risk Appetite

- Risk Preferences clearly articulated and approved by the Group Board.
- Well defined and consistent set of risk appetite statements in place across the Group for all key risk categories.
- Risk appetites at the group level which are set to manage both downside tail risk to large industry events as well as volatility in year to year earnings.
- Risk appetites set from an overall group perspective reflecting geographical and product line diversification and aggregation. These are then cascaded down to business unit and legal entities as appropriate.
- Actual risk positions monitored against risk appetite limits and integrated into risk reporting at Group, business unit and entity level board. Risk appetites updated where required.
- Tolerance limits and clear escalation processes and procedures in place.
- Flexibility to understand and evaluate new and emerging risks.

Risk Operations

- The business risk processes and internal control framework are key elements to the Enterprise Risk Management Framework and demonstrate the following qualities:
  - Well documented risk management system and robust risk assessment and financial reporting processes integrated as part of our overall internal control framework.
  - Clearly assigned and documented responsibilities for key risk controls within all functions.
  - Review and challenge process applied to risk assessment outputs.
  - Proactive measures for preventing unexpected future losses.
  - Flexible and responsive to new and emerging risks and business change.
  - Oversight and assurance of the effectiveness of internal control processes.
  - Clear escalation when controls not appropriately followed.
  - Clear plans for the remediation of any key control deficiencies.

Risk Monitoring and Management

- Risk based capital analysis supported by stress and scenario testing framework is used in decision making.
- Timely reporting providing for proactive and prospective decision making.
- Tolerance limits, triggers and monitoring tools embedded throughout the organization.
- Robust stress and scenario testing framework used for impact analysis.

Risk Management Information and Reporting

- Integrated reporting approach across performance measurement, strategic planning, risk and finance.
- Integrated processes for reporting all material risks and capital metrics.
- Clear and transparent reporting to external stakeholders including clients, investors, regulators and rating agencies.
- Ability to aggregate risk positions and provide common risk metrics.
- Common data definitions for underwriting performance, risk and investment data.
- Standardized systems and well controlled manual interfaces.
- Flexibility to integrate new reporting and business requirements.

3.3.2.2 SOLVENCY SELF ASSESSMENT (SSA)

Through its annual Risk Assessment process, the Parent identifies all the risks it is exposed to. Some risks are less quantifiable than others such as reputational risk or strategic risk. For the quantifiable risks, PartnerRe uses capital to cover them. For the non-quantifiable risks, PartnerRe qualitatively manages these risks through specific and robust processes, and considers a capital buffer add-on to handle these risks plus modeling uncertainties.

PartnerRe operates an enterprise risk management framework which entails management of risk at a Group level, which is then extended to each operating entity within the Group, including the Company. For purposes of the Company's SSA a legal entity dimension has been introduced which is consistent with the Group Capital Model (GCM) while taking into consideration the composition of the underlying business and risks of the Company on a stand-alone basis. In 2016, the Company established a legal entity risk appetite statement which is used together with the legal entity modeling results to finalize our view of own capital needs.

As such, the SSA quantitative framework is based on the key principles that follow. Note, given the basis of the legal entity model, we begin with the Group perspective, followed by the legal entity consideration of the Company.

Consistency with the Group Capital Model

The GCM provides PartnerRe’s view on the sensitivity of the financial position to the main risks faced by the Company.

This model focuses on the impact on the Balance Sheet of the different entities of the Group related to the following risks: Non-Life Non Cat Underwriting risk, Nat Cat risk, Reserving risk, Life risk and Asset risk (Interest Rate risk, Spread risk, Market risk, Foreign Exchange risk).

Results are reported to the Executive Management, Enterprise Risk Committee and the Parent's Board of Directors (Board), and model outputs are the basis for the external disclosure of the Nat Cat PML or for internal processes such as the capital allocation framework.

GCM outputs are the core basis of the SSA calculation framework.

Consistency with the Risk Appetite Framework

The Board annually reviews and agrees to a risk appetite framework that defines how much and how often the Company will tolerate economic losses during an annual period.

PartnerRe’s Risk Appetite states the Board’s tolerance level for the size and frequency of economic financial losses.

In May 2017, a revised Risk Tolerance framework was approved by the Board as the basis to manage the Company's Assumed Risks in order to drive consistency in the application of Company limits. The overall risk tolerance is 35% of the loss of available economic capital based on the internal model 1-in-100 Value at Risk or 1-in-100 cross pillar scenarios.

Available Economic Capital is the economic assessment by the Company of its Capital and includes debt, if any, at GAAP carrying value.

Modeled results are monitored and reported quarterly.

Link to the Resilience Strategy

Resilience is a key element in the PartnerRe strategy. Our risk appetite framework, and consequently our SSA framework, looks not only at being solvent after an extreme event or a financial year with extreme losses. The SSA also reflects the Company's aim to continue as a going concern over many years. That is the reason why our risk appetite framework aims at limiting, for example, the impact of a year with very adverse losses (linked to a return period of 100 years) to only 35% of our Economic Capital.

This would allow the Company to pay all its outstanding claim liabilities and benefit from the improved pricing environment implied by a scenario with severe losses, with very limited (if any) need to raise additional capital.

PartnerRe's forward-looking view is anchored around its ability to withstand extreme events and its ability to thrive in the years following the events, with business strategies adjusted appropriately.

Consistency with the Business Planning Process

Annually, PartnerRe defines its business strategy for the next Underwriting Year. The Group Capital Model is intimately connected to the business planning exercise, in an iterative process, with plan data as a major input to the Capital Model and certain risk/return and capital metrics from the Group Capital Model outputs being used to feed and refine the business plan assumptions and directions.

Anchoring the SSA process around the Group Capital Model guarantees that the SSA is fully connected to the business planning process and to the business decisions that originate from the plan and from its execution.

No Management Actions Predefined

The SSA framework does not take into account any management actions that may be adopted in adverse circumstances, but lends itself to a discussion on possible management actions according to the outcome of the SSA process and to the circumstances prevailing at that time.

This SSA framework with the associated valuation base is considered as appropriate to reflect the risk profile of the company and its resilience to a variety of shocks, while complying with the requirement for a sound and prudent management of the business.

Resilience is a key element in the PartnerRe strategy, and by extension the Company's strategy. With the calibration of the risk tolerance, this creates a buffer above the 120% Target Capital Level as defined by the BMA within the BSCR model. This buffer ensures the ability of the Company to meet its regulatory capital requirements during adverse situations, such as upon the occurrence of a catastrophe event. This coupled with the Group's risk appetite framework, would allow the Company to pay all its outstanding claim liabilities and benefit from the improved pricing environment implied by a scenario with severe losses, with very limited (if any) need to raise additional capital.

3.3.3 RELATIONSHIP BETWEEN SOLVENCY NEEDS AND CAPITAL AND RISK MANAGEMENT SYSTEMS

The SSA framework is directly linked to outputs of the GCM. Embedded within the GCM is a correlation or dependency structure that quantifies the view on diversification within and across risk towers.

This dependency structure is reviewed yearly and discussed between Group Actuarial and the Capital and Risk.

3.3.4 SOLVENCY SELF ASSESSMENT APPROVAL PROCESS

The capital model underpinning the solvency self assessment is subject to a regular cycle of validation. Validation provides evidence that a model works as planned and that it is a robust representation of prospective risk. Each owner of a risk tower updates annually the documentation related to the assumptions and modeling techniques within its risk tower.

In addition, annually, or more frequently if requested by the Enterprise Risk Committee, the Head of Capital & Risk is reviewing and assessing:

- how the Group Capital Model consolidates the component parts, and
- overall model results.

This assessment is mainly performed by analyzing:

- the dependencies observed between each pair of risk towers, measured as linear correlations of the entire FLDs of each risk towers;
- the tail correlation between the main risk towers;
- the different components of the expected financial results; and
- the difference between modeled outputs and historical results.

3.4 INTERNAL CONTROLS

3.4.1 INTERNAL CONTROL SYSTEM

As stated earlier in the report, the Parent's Board, in its commitment to high standards of business conduct, has adopted various policies and guidelines to address key risk areas. These policies and guidelines are supported by detailed procedures as necessary.

The Group’s internal control system covers a wide range of processes across the Group which includes, but is not limited to: underwriting; claims; investments; risk management and operational functions. Also included in the internal control system are the Company’s SOX controls necessary to support its ongoing obligations as an SEC registrant to maintain effective internal controls over financial reporting. The internal control system has also been strengthened by the implementation of a software tool to provide enhanced governance over the Group’s existing robust internal control framework as well as to provide enhanced reporting and a mechanism to enhance the collaboration between the Group’s risk management, compliance and internal audit functions.

Each Group ERM Risk Policy is complemented by associated risk controls which contain the details of the various risk items, processes and controls that are implemented throughout the organization to allow the mitigation of the risks associated with the Risk Policy.

The Parent's Board oversees the internal control system and is supported in the first instance by the Audit Committee and secondly by Internal Audit through the performance of a risk-based internal audit plan supporting its annual opinion on the Group's internal control system.

In addition to the Parent's Board, the Group's compliance function, finance function, actuarial function, risk management function and internal audit function are all key contributors to the governance and oversight of the Company's internal control system.

Finance Function

The Company's finance function (which is led by the Company's Chief Financial Officer) ensures:

- the accuracy of the Company's U.S. GAAP financial reports;
- the accuracy of the Company's annual statutory financial statements;
- the Company is compliant with relevant accounting policies and standards;
- the Company is compliant with its regulatory financial reporting obligations to the BMA;
- the Company maintains sufficient capital to meet business and regulatory requirements;
- monitoring of the Company's solvency ratios and calculations; and
- that the Company capital and liquidity is managed efficiently and effectively.

3.4.2 COMPLIANCE FUNCTION

The Group's compliance function (which is headed by the Parent's Head of Legal & Compliance) comprises the Group's Legal and Compliance team together with jurisdictional compliance contacts. This function is responsible for ensuring the Company's compliance with regulatory requirements and legal obligations.

The strategic objectives of the Group's compliance function are:

- ensuring effective relationships with key regulators, industry groups and the Group in order to anticipate and manage new regulatory, legislative and industry developments;
- identifying and implementing appropriate policies and procedures to ensure compliance with regulatory and legislative obligations;
- identifying and reviewing existing regulatory and legislative requirements to determine that existing policies and procedures comply with obligations; and
- providing compliance risk management expertise to ensure business initiatives maintain compliance and achieve business objectives.

The Group's compliance framework ensures there is effective oversight of the activities of the Company taking into consideration the nature, scale and complexity of the business being conducted by it. This includes:

- identification of regulatory and legal obligations and requirements. These are identified by monitoring and documenting legal, regulatory and industry developments and liaising with the BMA (and other jurisdictional regulators as appropriate);
- development of an overarching compliance framework underpinned by detailed policies and procedures. The identified regulatory and legal obligations and requirements inform and shape the policies and procedures to be followed; and
- robust monitoring and regular reporting in respect of the Company's compliance with such policies and procedures. Group Internal Audit, the Group's Chief Risk and Actuarial Officer and the Group risk management functions are key contributors to the assessment of the Company's compliance framework.

The Parent's Board receives quarterly updates from the Company's Legal & Compliance function in respect of monitoring the Company's compliance activities. Such reporting is designed to provide the Board with sufficient comfort that the Company has complied with all requisite regulatory and legal requirements and, where necessary, to highlight any occasions on which the Company has deviated (in a material and/or non-material manner) from such requirements.

3.5 GROUP INTERNAL AUDIT

The Corporate Audit Group (CAG) assists Senior Management and the Board of Directors in achieving their corporate objectives and discharging their duties and responsibilities. This is achieved through CAG's systematic and disciplined approach to evaluating and improving the effectiveness of the Company's internal control system. The CAG functions as an independent, objective assurance and advisory activity designed to add value and to assist in improving operations.

Based on testing performed as part of a risk-based internal audit program, the CAG provides the Board (via the Audit Committee) with reasonable assurance that:

- operations are effective and efficient;
- internal control over financial reporting is appropriately designed, reliable and operating effectively;
- there is compliance with laws and regulations;

- employee's actions are in compliance with internal policies, standards, procedures and application laws and regulations;
- the Company's assets are acquired economically, used efficiently and appropriately protected; and
- risks are appropriately identified and managed and the Company's risk management policies are consistently applied as documented.

Annually, CAG provides senior management and the Parent's Board with an overall opinion on the Group's internal control system.

Management is required to maintain an Anti-Fraud Program, which the Audit Committee oversees, as part of the requirements of the Sarbanes–Oxley Act of 2002. CAG conducts this program on behalf of management and reports the results to management and the Audit Committee annually. As part of this program, CAG updates the Group's fraud risk assessment and test the controls annually.

3.6 CAPITAL & RISK AND ACTUARIAL FUNCTION

The Chief Risk and Actuarial Officer ("CRAO") oversees the Capital & Risk and Actuarial functions to ensure proper risk oversight, that the capital model meets business needs and regulatory requirements as well as appropriate reserve estimation. The CRAO reports risk and reserving topics to the Board on a quarterly basis.

The Capital & Risk function provides a link between operations within the business units through the overall PartnerRe risk governance framework which includes reporting on risk exposures through risk scorecards.

Capital & Risk:

- Provides a properly functioning ERM framework including risk policies which appropriately address risks in alignment with evolving regulatory and market (investor, rating agency) standards.
- Establishes methodology to support the mitigation of risks such as risk identification and assessment processes
- Performs risk monitoring and reporting including risk correlation, concentration and aggregation.
- Ensures deployed capacity is monitored and remain within the defined risk appetite expressed at Group or at the Legal Entity level.
- Builds, evolves and maintains the capital model to meet business requests and regulatory requirements. A single capital model is used across the group to meet various needs and purposes.
- Discusses and challenges assumptions with internal stakeholders and subject matter experts in order to build a common understanding about risk.
- Discusses and challenges internal stakeholders on all risk issues in relation to the Risk Universe and ERM Framework through the ERC and Risk Committee at the Legal Entity level.
- Oversight of Group Security Committee to set guidelines for counterparty credit risks.

Actuarial:

The Group's actuarial function ensures:

- the Company has a robust and structured approach to estimating the Company's reserves and reserving considerations are integrated into key operations and strategic decision making;
- the Company complies with regulatory and financial requirements for the estimation and reporting of reserves within an appropriately controlled framework; and
- capital is appropriately attributed to business units for pricing purposes.

The actuarial function provides inputs to the risk scorecards produced by the risk management function. It also produces indications for premium and reserve capital factors used in pricing along with asset, reserve and non-cat risk distributions.

3.7 OUTSOURCING

3.7.1 OUTSOURCING POLICY

The Company manages both internal and external outsourcing in accordance with all applicable regulatory requirements. Where appropriate, the Company has entered into Service Level Agreements which include an obligation on the parties to the contract to comply with all legal and regulatory obligations. The Company utilizes the expertise from other PartnerRe Group entities and jurisdictions (i.e. subsidiaries and affiliates of the Group) for services from the key group functions including, underwriting and claims, actuarial and reserving, risk management, legal and compliance, finance and accounting, internal audit and investments. Third party outsourcings are limited and driven by strategic business decisions and/ or legal and regulatory obligations.

3.7.2 MATERIAL INTRA-GROUP OUTSOURCING

See section 3.7.1 - *Outsourcing Policy* above.

3.8 ANY OTHER MATERIAL INFORMATION

N/A

4. RISK PROFILE

4.1 MATERIAL RISKS

PartnerRe's Group Enterprise Risk Management framework outlines group-wide policies and procedures applicable to the Group and are cascaded down to its subsidiaries, including the Company. Therefore, this section includes a description of what occurs at the Group level.

Risk Universe

The Group structures its risks within a Risk Universe which is comprised of Industry and Group Risks. Industry Risks are those risks which are external to the Group caused by changes in demand and supply patterns, such as the competitive structure of the industry, as well as macroeconomic and regulatory trends. In contrast, Group Risks are those risks which arise as a direct result of business operations. These risks are further structured by the following sub-categories:

Strategic Risks

Strategic risks are discussed and agreed to between the CEO and the Group' s Board, and managed by the CEO, and include the direction and governance of the Company, as well as its response to key external factors faced by the reinsurance industry, such as changes in cedants' risk retention behavior, regulation, competitive structure, and macroeconomic, legal and social trends. Management considers that strong governance procedures, including a robust system of processes and internal controls are appropriate to manage risks related to its reputation and risks related to new initiatives, including acquisitions, new products or markets. The Group seeks to preserve its reputation through high professional and ethical standards and manages the impact of identified risks through the adoption and implementation of a sound and comprehensive assumed risk framework.

Operational and Financial Risks

Operational and financial risks are managed by designated functions within the organization. These risks include, but are not limited to, failures or weaknesses in financial reporting and controls, regulatory non-compliance, poor cash management, fraud, breach of information technology security, disaster recovery planning and reliance on third-party vendors. The Group seeks to minimize these risks through robust processes and monitoring throughout the organization.

Assumed Risks

The Group's underwriting is conducted at the Business Unit level through specialized underwriting teams with the support of technical staff in disciplines such as actuarial, claims, legal, risk management and finance.

The Group's underwriters develop close working relationships with their ceding company counterparts and brokers through regular visits, gathering detailed information about the cedant's business and local market conditions and practices. As part of the underwriting process, the underwriters also focus on the reputation and quality of the proposed cedant, the likelihood of establishing a long-term relationship with the cedant, the geographic area in which the cedant does business and the cedant's market share, historical loss data for the cedant and, where available, historical loss data for the industry as a whole in the relevant regions, in order to compare the cedant's historical loss experience to industry averages, and to gauge the perceived insurance and reinsurance expertise and financial strength of the cedant.

The Group trains its underwriters and strives to maintain continuity of underwriters within specific geographic markets and areas of specialty.

The Group generally underwrites risks with specified limits per treaty program or facultative contract. Like other reinsurance companies, the Group is exposed to multiple insured losses arising out of a single occurrence, whether a natural event such as hurricane, windstorm, tornado, flood or earthquake, or man-made events. Any such catastrophic event could generate insured losses in one or many of the Group's reinsurance treaties and facultative contracts and in one or more lines of business. The Group considers such event scenarios as part of its evaluation and monitoring of its aggregate exposures to catastrophic events.

Investment Risk

The Group defines this risk as the risk of a substantial decline in the value of its holdings in fixed income, equities, equity-like securities, real estate, and other investment categories. The Group's fully integrated information system provides real-time investment data, allowing for continuous monitoring and decision support. Each portfolio is managed against a predetermined benchmark to enable alignment with appropriate risk parameters and achievement of desired returns. Any such investment risks could generate losses in the Group's portfolios. The Group considers such scenarios as part of its evaluation and monitoring of its aggregate exposures to investment risk.

Market Risk

Financial assets are defined by the Group as comprising of its equity and equity-like securities which include all invested assets that are not investment grade standard fixed income securities and certain fixed income asset classes that are not liquid (but excludes certain insurance-linked securities, such as catastrophe bonds, as that risk is aggregated with liability risks). The Group limits its aggregate exposure to financial assets as well as sub-limits the exposures by type of financial assets (public equity, private equity, real estate and alternative credit).

Credit Spread Risk

The Group defines this risk as the risk of a substantial decline in the market value of its fixed income assets that is not a result of changes in risk-free interest rates. Spread risk also includes migration and default risks (defined as the risk that a given security is downgraded or upgraded before maturity and the risk that recovery is less than the full valuation of the security, respectively). The Group limits its aggregate exposure to spread risk and sub-limits its exposures by sector, by individual issuer and by rating.

Interest Rate Risk

The Group defines this risk as the risk of a substantial mismatch of asset and liability durations, which may result in economic losses to the Group. Economically, the Group is hedged against changes in asset and liability values resulting from small parallel changes in the risk-free yield curve to the degree asset and liability durations are matched. Nonparallel shifts in the yield curve or extremely large changes in yields can introduce investment losses to the degree that asset maturity and coupon payments are not exactly matched to liability payments. Investment losses associated with interest rate risk of a magnitude that have the potential to exceed the Group's risk tolerance are associated with extremely large increases in interest rates over an annual period.

Risk Appetite and Risk Tolerance

Risk appetite is an integral part of an effective risk management system that defines the overall level of risk the Group is prepared to accept in pursuit of its strategic objectives, and which is managed through a robust Risk Tolerance Framework of risk limits. Executive Management regularly reviews the Group's deployment and may decide to adjust

the amount of capacity deployed for each risk driver (within the established risk tolerance) based on strategic considerations and changes in market conditions.

The Group's risk tolerance is expressed as the maximum economic loss that the Board is willing to incur based on various modeled probability return periods. To mitigate the chance of economic losses exceeding the risk tolerance, the Group relies upon diversification of risk sources and risk limits to manage exposures. Diversification enables losses from one risk source to be offset by profits from other risk sources so that the chance of overall losses exceeding the Group's risk tolerance is reduced.

The Group's risk tolerance is expected to remain stable and changes are to be approved by the Board. Definitions for the maximum economic loss and available economic capital are as follows:

Economic Loss. The Group defines an economic loss as a decrease in the Group's economic value, which is defined as common shareholder's equity plus the "time value of money" discount of the non-life reserves that is not recognized in the consolidated financial statements in accordance with U.S. GAAP, net of tax, plus the embedded value of the Life portfolio that is not recognized in the consolidated financial statements in accordance with U.S. GAAP, net of tax, less goodwill and intangible assets, net of tax.

Available Economic Capital. The Group defines economic capital as the economic value, as defined above, plus preferred shareholders' equity, if any, and the carrying value of debt recognized in the consolidated financial statements in accordance with U.S. GAAP.

The Maximum Economic Loss. The maximum economic loss is a loss expressed as a percentage of economic capital under various modeled probability return periods.

Risk Tolerance Framework

The Group establishes key risk limits net of any reinsurance/retrocession for any risk source deemed by Management to have the potential to cause economic losses greater than the Company's risk tolerance.

In 2017, a revised Risk Tolerance framework was approved by the Group's Board in order to drive consistency in the application of Group limits. The overall risk tolerance is 35% of the loss of available economic capital based on the internal model 1-in-100 Value at Risk or 1-in-100 scenarios. Furthermore, limits are applied to Financial Assets and Risk Tiers. The Financial Assets comprise the Company's equity and equity-like securities, as defined above, and have an established tolerance limit of $1.6 billion based on the internal model 1-in-100 return period. Additionally there are operational sub-limits for certain asset classes. The Risk Tiers consist of a classification of risk drivers which consider the following criteria:

- Materiality
- Risk driver expertise
- Potential for superior risk-adjusted return over the cycle.

Management monitors Tier 1 Risks on a periodic basis. The approved limits and the actual limits deployed at December 31, 2017 were as follows (in billions of U.S. dollars):

Tier 1 Risks - Group	**December 31, 2017**		**December 31, 2016**	
	Limit approved[1]	**Actual deployed[1]**	**Limit approved[1]**	**Actual deployed[1]**
Natural Catastrophe Risk	**$ 1.6**	**$ 0.8**	$ 1.6	$ 0.8
Longevity Risk[2]	**$ 1.6**	**$ 0.9**	$ 1.6	$ 0.7
Pandemic Risk	**$ 1.6**	**$ 0.4**	$ 1.6	$ 0.4
Casualty Risk	**$ 1.6**	**$ 0.7**	$ 1.6	$ 0.7
Standard Fixed Income Credit	**$ 1.6**	**$ 0.8**	$ 1.6	$ 1.0

(1) The limits approved and the actual limits deployed in the table above are shown net of retrocession.
(2) The longevity risk duration for modelling purposes extends to the full run-off rather than one year.

Tier 1 Risks

Tier 1 Risks consists of risk drivers which meet all three criteria of the Risk Tolerance Framework including materiality, risk driver expertise and potential for superior risk-adjusted return over the cycle. Additionally, the risk tolerance limit for this Risk Tier is $1.6 billion for the Group based on either the internal model 1-in-100 Value at Risk or a 1-in-100 scenario. The Tier 1 Risk Tier encompasses the following risk drivers:

Natural Catastrophe Risk

The Company defines this risk as the risk that the aggregate losses from natural perils materially exceed the net premiums that are received to cover such risks, which may result in operating and economic losses to the Company. The Company considers both catastrophe losses due to a single large event and catastrophe losses that would occur from multiple (but potentially smaller) events in any year. The actual deployed figure shown for Natural Catastrophe Risk in the Tier 1 table above represents the modeled 1-in-100 Value at Risk of the annual aggregate natural catastrophe financial losses (i.e. losses minus premiums and expenses).

Natural catastrophe risk is managed through the allocation of catastrophe exposure capacity in each exposure zone to different Business Units, regular catastrophe modeling and a combination of quantitative and qualitative analysis. The Company considers a peril zone to be an area within a geographic region, continent or country in which losses from insurance exposures are likely to be highly correlated to a single catastrophic event. Not all peril zones have the same limit and peril zones are broadly defined so that it would be unlikely for any single event to substantially erode the aggregate exposure limits from more than one peril zone. Even extremely high severity/low likelihood events will only partially exhaust the limits in any peril zone, as they are likely to only affect a part of the area covered by a wide peril zone.

Longevity Risk

The Group considers longevity exposure to have a material accumulation potential and has established a limit to manage the risk of loss associated with this exposure, which may result in operating and economic losses to the Group. The Group defines longevity risk as the potential for increased actual and future expected annuity payments resulting from annuitants living longer than expected, or the expectation that annuitants will live longer in the future. Assuming longevity risk, through reinsurance or capital markets transactions, is part of the Group's strategy of building a diversified portfolio of risks. While longevity risk is highly diversifying in relation to other risks in the Group's portfolio (e.g. mortality products), longevity risk itself is a systemic risk with little opportunity to diversify within the risk class. Longevity risk accumulates across cedants, geographies, and over time because mortality trends can impact diverse populations in the same manner. Longevity risk can manifest slowly over time as experience proves annuitants are

living longer than original expectations, or abruptly as in the case of a "miracle drug" that increases the life expectancy of all annuitants simultaneously.

Pandemic Risk

The Group considers mortality exposure to have a material accumulation potential to common risk drivers, in particular to pandemic events, which may result in operating and economic losses to the Group. The Group defines pandemic risk as the increase in mortality over an annual period associated with a rapidly spreading virus (either within a highly populated geographic area or on a global basis) with a high mortality rate. Assuming mortality risk, through reinsurance or capital markets transactions, is part of the Group's strategy of building a diversified portfolio of risks. While mortality risk is highly diversifying in relation to other risks in the Group's portfolio (e.g. longevity products), mortality risk itself is a systemic risk when the risk driver is a pandemic with little opportunity to diversify within the risk class. Mortality risk from pandemics can accumulate across cedants and geographies.

Casualty Risk

The Group defines this risk as the risk that the estimates of ultimate losses for casualty will prove to be too low, leading to the need for substantial reserve strengthening, which may result in operating and economic losses to the Company. Particularly in U.S. casualty, actual loss trends may in the future result to be higher than the assumptions underlying the Group's ultimate loss estimates, resulting in ultimate losses that exceed recorded loss reserves. When loss trends prove to be higher than those underlying the reserving assumptions, the impact can be large because of an accumulation effect.

The Group manages and mitigates the reserving risk for casualty in a variety of ways. Underwriters and pricing actuaries follow a disciplined underwriting process that utilizes all available data and information, including industry trends, and the Group establishes prudent reserving policies for determining recorded reserves. These policies are systematic and Management endeavors to apply them consistently over time.

Standard Fixed Income Credit Risk

The Group defines this risk as the risk of a substantial increase in defaults in the Group's standard fixed income credit securities (which includes investment grade corporate bonds and asset-backed securities) leading to realized investment losses or a significant widening of credit spreads resulting in realized or unrealized investment losses, either of which may result in economic losses to the Group. Investment losses of the magnitude that have the potential to exceed the Group's risk tolerance are associated with the systemic impacts of severe economic and financial stress. As a result, the Group limits the exposure to the standard fixed income credit securities so that investment losses will be mitigated in an extreme economic or financial crisis.

Tier 1 Risks are monitored by the ERC and reported to the Group's Board.

Tier 2 Risks

Tier 2 Risks consists of risks drivers which meet two of the three criteria. Additionally, the risk tolerance limit is less than half of the Tier 1 Risk limit based on either the internal model 1-in-100 Value at Risk or a 1-in-100 scenario. The Tier 2 Risks encompasses the following risk drivers:

Mortgage Risk

PartnerRe defines this risk as the risk that losses from mortgage reinsurance materially exceed the net premiums that are received to cover such risks, which may result in operating and economic losses to the Group. Mortgage insurance underwriting losses that have the potential to exceed the Group's risk tolerance are associated with the systemic impacts of severe mortgage defaults, driven by large scale economic downturns and high unemployment.

Localized or regional economic downturns are unlikely to have a large enough geographic footprint to create material losses exceeding the net premiums collected.

Credit and Surety Risk

PartnerRe defines this risk as the risk that aggregated trade credit losses materially exceed the net premiums that are received to cover such risks, which may result in operating and economic losses to the Group. Trade credit losses of the magnitude that have the potential to exceed the Group's risk tolerance are associated with the systemic impacts of severe economic and financial stress. In these events, with respect to underwriting, losses may arise from defaults of single large named insureds and from a high frequency of defaults of smaller insureds. In addition, trade credit risk is highly correlated with default and credit spread widening risk of the standard investment grade fixed income portfolio during times of economic stress or financial crises.

Tier 2 Risks are monitored by the ERC.

All other underwriting risks are considered as part of the Tier 3 Risks and are monitored by the Chief Underwriting Officer, Chief Investment Officer and corresponding Business Units.

Company Specific Limits

Company specific risk appetite and risk tolerance

The Company's capital risk tolerance is defined in terms of required risk capital and is calibrated, by considering both the modeled VaR of 99.6% (i.e. 1 in 250-yr PML) of the 1-yr forward-looking Economic View of the Group Capital Model (including buffers for non-modeled risks) and a 50% capital buffer over the regulatory Bermuda Solvency Capital Ratio and the Required Risk Capital is defined as:

Required Risk Capital = Max (150% x BSCR ; VaR 99.6% (1yr Economic View)

The Company's approved limits and the actual limits deployed at December 31, 2017 and 2016 were as follows (in billions of U.S. dollars):

Company Specific Limits[1]	**December 31, 2017**		December 31, 2016	
	Limit approved	**Actual deployed**	Limit approved	Actual deployed
Natural Catastrophe Risk	**$ 1.00**	**$ 0.52**	$ 1.50	$ 1.22
Casualty	**$ 1.00**	**$ 0.22**	n/a	n/a
Long-term Reinsurance	**n/a**	**n/a**	$ 0.65	$ 0.31
Financial Assets Risk	**$ 1.00**	**$ 0.41**	$ 2.70	$ 1.09
Standard Fixed Income Risk	**$ 1.00**	**$ 0.49**	$ 3.90	$ 2.62
Credit & Surety	**$ 0.60**	**$ 0.43**	$ 0.50	$ 0.42
Mortgage Reinsurance Risk	**$ 0.40**	**$ 0.25**	$ 0.50	$ 0.36

(1) *The company specific limits shown in the table above are subject to change once all of the entities risk appetite frameworks are fully embedded into the Group Risk Tolerance Framework.*

Natural Catastrophe PML

The following discussion of the Group's natural catastrophe PML information contains forward-looking statements based upon assumptions and expectations concerning the potential effect of future events that are subject to uncertainties. Any of these risk factors could result in actual losses that are materially different from the Group's PML estimates below.

Natural catastrophe risk is a source of significant aggregate exposure for the Group and is managed by setting risk tolerance and limits, as discussed above. Natural catastrophe perils can impact geographic regions of varying size and can have economic repercussions beyond the geographic region directly impacted.

The Group defines peril zones to capture the vast majority of exposures likely to be incorporated by typical modeled events. There is, however, no industry standard and the Group's definitions of peril zones may differ from those of other parties.

The Group has exposures in other peril zones that can potentially generate losses greater than the PML estimates below. The Company's PMLs represent an estimate of loss for a single event for a given return period. The table below discloses the Group's expected loss, 1-in-50, 1-in-100, and 1-in-250 year return period estimated loss for a single occurrence of a natural catastrophe event in a one-year period.

The PML estimates below include all significant exposure from our Non-life and Life and Health business operations. This includes coverage for property, marine, energy, engineering, workers' compensation, mortality, and exposure to catastrophe from insurance-linked securities. The PML estimates do not include casualty coverage that could be exposed as a result of a catastrophic event. In addition, they do not include estimates for contingent losses to insureds that are not directly impacted by the event (e.g. loss of earnings due to disruption in supply lines).

The Group's single occurrence estimated net PML exposures (pre-tax and net of retrocession and reinstatement premiums) of the top ten natural catastrophe perils as at December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

		December 31, 2017		**December 31, 2016**	
Zone	**Peril**	**1-in-250 year PML**	**1-in-500 year PML (Earthquake perils Only)**	**1-in-250 year PML**	**1-in-500 year PML (Earthquake perils Only)**
U.S. Southeast	Hurricane	**$ 481**	**$ —**	$ 496	$ —
U.S. Northeast	Hurricane	**$ 514**	**$ —**	$ 560	$ —
U.S. Gulf Coast	Hurricane	**$ 512**	**$ —**	$ 502	$ —
Caribbean	Hurricane	**$ 162**	**$ —**	$ 165	$ —
Europe	Windstorm	**$ 367**	**$ —**	$ 387	$ —
Japan	Typhoon	**$ 190**	**$ —**	$ 190	$ —
California	Earthquake	**$ 439**	**$ 549**	$ 462	$ 595
British Columbia	Earthquake	**$ 112**	**$ 240**	$ 161	$ 317
Japan	Earthquake	**$ 306**	**$ 341**	$ 315	$ 349
Australia	Earthquake	**$ 140**	**$ 205**	$ 187	$ 258
New Zealand	Earthquake	**$ 130**	**$ 188**	$ 147	$ 211

The Company's single occurrence estimated net PML exposures for certain selected peak industry natural catastrophe perils have been derived from the Group's estimated net PML exposures (pre-tax and net of retrocession and reinstatement premiums) are as follows (in millions of U.S. dollars):

		December 31, 2017		December 31, 2016	
Zone	Peril	1-in-250 year PML	1-in-500 year PML (Earthquake perils Only)	1-in-250 year PML	1-in-500 year PML (Earthquake perils Only)
U.S. Southeast	Hurricane	$ 415	$ —	$ 415	$ —
U.S. Northeast	Hurricane	$ 486	$ —	$ 486	$ —
U.S. Gulf Coast	Hurricane	$ 433	$ —	$ 433	$ —
Caribbean	Hurricane	$ 146	$ —	$ 146	$ —
Europe	Windstorm	$ 352	$ —	$ 352	$ —
Japan	Typhoon	$ 171	$ —	$ 171	$ —
California	Earthquake	$ 387	$ 499	$ 387	$ 499
British Columbia	Earthquake	$ 126	$ 247	$ 126	$ 247
Japan	Earthquake	$ 291	$ 322	$ 291	$ 322
Australia	Earthquake	$ 174	$ 239	$ 174	$ 239
New Zealand	Earthquake	$ 139	$ 199	$ 139	$ 199

4.2 RISK MITIGATION

Retrocessional Reinsurance

PartnerRe uses retrocessional reinsurance agreements to reduce its exposure on certain reinsurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from retrocessionaires. The majority of the Group's retrocessional reinsurance agreements cover property and specialty lines (e.g. aviation, marine, mortgage and certain risks included in the credit/surety line) exposures, predominantly those that are catastrophe exposed. The Group also utilizes retrocessions in the Life and Health segment to manage the amount of per-event and per-life risks to which it is exposed. Retrocessionaires must be pre-approved based on their financial condition and business practices, with stability, solvency and credit ratings being important criteria. Strict limits per retrocessionaire are also put into place and monitored to mitigate counterparty credit risk.

The Group remains liable to its cedants to the extent that the retrocessionaires do not meet their obligations under retrocessional agreements, and therefore retrocessions are subject to credit risk in all cases and to aggregate loss limits in certain cases. The Group holds collateral, including escrow funds, trusts, securities and letters of credit under certain retrocessional agreements. Provisions are made for amounts considered potentially uncollectible and reinsurance losses recoverable from retrocessionaires are reported after allowances for uncollectible amounts.

See also Section 4.1 - *Material Risks* above.

4.3 MATERIAL RISK CONCENTRATIONS

Fixed Maturities and Cash

The Company has exposure to credit risk as a holder of fixed maturity securities. The Company controls this exposure by emphasizing investment grade credit quality in the fixed maturity securities it purchases. The Company believes this high quality concentration reduces its exposure to credit risk on fixed maturity investments to an acceptable level. At

December 31, 2017 and 2016, other than the U.S. and Canadian governments, the Company's fixed maturity investment portfolio did not contain exposure to any sovereign government or any other issuer that accounted for more than 10% of the Company's shareholder's equity.

The Company keeps cash and cash equivalents in several banks and ensures that there are no significant concentrations of credit risk in any one bank.

Equities

During 2017, the Company invested $500 million in certain Exor managed equity funds. At December 31, 2017 the carrying value of these investments was $551 million. See section 3.1.4 - *Agreements with Related Parties—Exor Funds*.

Other Invested Assets

In March 2016, the Company purchased from Exor S.A. a 36% shareholding in the privately held United Kingdom real estate investment and development group, Almacantar Group S.A. (Almacantar) for total cash consideration of approximately $539 million. At December 31, 2017 and 2016, the total carrying value of the Almacantar investment accounted for under the equity method was $538 million and $436 million, respectively. See section 3.1.4 - *Agreements with Related Parties—Almacantar Group S.A.*

Derivatives

To a lesser extent, the Company also has credit risk exposure as a party to foreign exchange forward contracts and other derivative contracts. The Company's investment strategy allows the use of derivative investments, subject to strict limitations. The Company imposes a high standard for the credit quality of counterparties in all derivative transactions. To mitigate credit risk, the Company monitors its exposure by counterparty, aims to diversify its counterparty credit risk and ensures that counterparties to these contracts are high credit quality international banks or counterparties. These contracts are generally of short duration (approximately 90 days) and settle on a net basis, which means that the Company is exposed to the movement of one currency against the other, as opposed to the notional amount of the contracts.

Underwriting operations

The Company is also exposed to credit risk in its underwriting operations, most notably in the credit/surety line. Loss experience in these lines of business is cyclical and is affected by the general economic environment. The Company provides its clients in these lines of business with protection against credit deterioration, defaults or other types of financial non-performance of or by the underlying credits that are the subject of the protection provided and, accordingly, the Company is exposed to the credit risk of those credits. As with all of the Company's business, these risks are subject to rigorous underwriting and pricing standards. In addition, the Company strives to mitigate the risks associated with these credit-sensitive lines of business through the use of risk management techniques such as risk diversification, careful monitoring of risk aggregations and accumulations and, at times, through the use of retrocessional reinsurance protection and the purchase of credit default swaps and total return and interest rate swaps.

The Company has exposure to credit risk as it relates to its business written through brokers if any of the Company's brokers are unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company might remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

The Company is also subject to the credit risk of its cedants in the event of insolvency or the cedant's failure to honor the value of funds held balances for any other reason. However, the Company's credit risk in some jurisdictions is mitigated by a mandatory right of offset of amounts payable by the Company to a cedant against amounts due to the Company. In certain other jurisdictions the Company is able to mitigate this risk, depending on the nature of the funds held arrangements, to the extent that the Company has the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by the Company to cedants for losses payable and other amounts contractually due.

The Company purchases retrocessional reinsurance and requires its reinsurers to have adequate financial strength. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. Provisions are made for amounts considered potentially uncollectible. There was no allowance for uncollectible reinsurance recoverable at December 31, 2017 deemed necessary based on the quantitative and qualitative analysis as collectability was determined to be reasonably assured and given that any recoverables related to reinsurers with ratings below A- or unrated are collateralized. The allowance for uncollectible reinsurance recoverable was $2.6 million at December 31, 2016. See also Section 4.2 - *Retrocessional Reinsurance* above.

4.4 INVESTMENT PHILOSOPHY

PartnerRe employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimizing current investment income and pursuing capital appreciation. From a risk management perspective, the Group allocates its invested assets into two categories: liability funds and capital funds.

Liability funds represent invested assets supporting the net reinsurance liabilities, and are invested primarily in investment-grade fixed maturity securities and cash and cash equivalents. The preservation of liquidity and protection of capital are the primary investment objectives for these assets. The portfolio managers are required to adhere to investment guidelines as to minimum ratings and issuer and sector concentration limitations. Liability funds are invested in a way that generally matches them to the corresponding liabilities (referred to as asset-liability matching) in terms of both duration and major currency composition to provide the Group with a natural hedge against changes in interest and foreign exchange rates. In addition, the Group utilizes certain derivatives to further protect against changes in interest and foreign exchange rates.

Capital funds represent shareholder capital and are invested in a diversified portfolio with the objective of maximizing investment return, subject to prudent risk constraints. Capital funds contain most of the asset classes typically viewed as offering a higher risk and higher return profile, subject to risk assumption and portfolio diversification guidelines which include issuer and sector concentration limitations. Capital funds may be invested in investment grade and below investment grade fixed maturity securities, publicly listed and private equities, bond and loan investments, real estate investments, structured credit and certain other specialty asset classes.

PartnerRe regularly reviews the allocation of investments to asset classes within its investment portfolio and allocates investments to those asset classes the Group anticipates will outperform in the future, subject to limits and guidelines. Similarly, the Group reduces its exposure to asset classes where returns are deemed unattractive. The Group may also lengthen or shorten the duration of its fixed maturity portfolio in anticipation of changes in interest rates, or increase or decrease the amount of credit risk it assumes, depending on credit spreads and anticipated economic conditions.

PartnerRe's investment strategy allows for the use of derivative instruments, subject to strict limitations. The Group may utilize various derivative instruments, such as treasury note and equity futures contracts, credit default swaps, foreign currency option contracts, foreign exchange forward contracts, total return and interest rate swaps, insurance-linked securities and to-be-announced mortgage-backed securities (TBAs) for the purpose of managing and hedging currency risk, market exposure and portfolio duration, hedging certain investments, mitigating the risk associated with underwriting

operations, or enhancing investment performance that would be allowed under the Group's investment policy if implemented in other ways. The use of financial leverage, whether achieved through derivatives or margin borrowing, requires approval from the Group's Board.

4.5 STRESS TESTING OF MATERIAL RISKS

The Company performs stress testing for its material risks. In addition, some of the risk tolerance criteria set by the Board and monitored on quarterly basis are based on certain predefined extreme scenarios.

BSCR Model Stress Testing

The Company also performs stress-testing as prescribed in the BMA's BSCR model which tests the impact on the BSCR ratio after specified events. In addition, the BMA instructions also require the Company to estimate a worst case scenario. The worst-case annual aggregate loss for the Company as evaluated by the company's internal capital model at the 99.6th percentile (corresponding to a return period of 250 years). The corresponding possible annual net loss (PML) for is $1,920 million. This PML includes a buffer for all non-modeled risks. Based on a Co-VaR analysis, this PML is mainly driven by Financial Market Risks (34%), adverse deviation of reserves (27%) and Non-Life Reinsurance Risks (23%).

4.6 ANY OTHER MATERIAL INFORMATION

N/A

5. SOLVENCY VALUATION

The information in this section is based on the Company's Economic Balance Sheets as at December 31, 2017 and 2016.

5.1 VALUATION OF ASSETS

Cash and Cash equivalents

Cash equivalents are carried at fair value and include fixed income securities that, at purchase, have a maturity of three months or less.

Quoted and Unquoted Investments

The Company elects the fair value option for all of its fixed maturities, short-term investments, equities and certain other invested assets (excluding those that are accounted for using the cost or equity methods of accounting). All changes in the fair value of investments are netted off statutory economic capital and surplus. The Company defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels. The Company’s policy is to recognize transfers between the hierarchy levels at the beginning of the period.

Investments in and Advances to Affiliates

Investments in and advances to affiliates included interest bearing loans to affiliated companies which are recorded at U.S. GAAP carrying value.

Investment Income Due

Investment income due and accrued includes interest and dividend income on fixed maturities and short-term investments, as well as investment income on funds held and is recorded at the U.S. GAAP carrying value, which approximates fair value due to the short-term nature.

Reinsurance Balances Receivable

Reinsurance balances receivable are recorded at amounts expected to be received. Provisions are made for amounts potentially uncollectible.

Funds Held By Ceding Reinsurers

Funds Held by Reinsured Companies

The Company writes certain business on a funds held basis. Under funds held contractual arrangements, the cedant retains the net funds that would have otherwise been remitted to the Company and credits the net fund balance with investment income. The Company does not legally own or directly control the investments underlying its funds held assets and only has recourse to the cedant for the receivable balances and no claim to the underlying securities that support the balances. Decisions as to purchases and sales of assets underlying the funds held balances are made by the cedant; in some circumstances, investment guidelines regarding the minimum credit quality of the underlying assets may be agreed upon between the cedant and the Company as part of the reinsurance agreement, or the Company may participate in an investment oversight committee regarding the investment of the net funds, but investment decisions are not otherwise influenced by the Company.

The majority of the funds held balance relates to contracts that earned investment income based upon a predetermined interest rate, either fixed contractually at the inception of the contract or based upon a recognized market index (e.g., LIBOR). Under these contractual arrangements, there are no specific assets linked to the funds held assets, and the Company is only exposed to the credit risk of the cedant.

Sundry Assets

Derivative Instruments

The Company's derivative instruments are recorded at fair value, with changes in the fair value netted off Statutory Economic Capital and Surplus.

Balances Receivable on Sale of Investments

Balances Receivable on Sale of Investments are recorded at U.S. GAAP carrying value, which approximates fair value due to the short-term nature.

Deferred Tax Assets

Certain subsidiaries and branches of the Company operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the Economic Balance Sheet and those used in the various jurisdictional tax returns. When management's assessment indicates that it is more likely than not that deferred tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is recognized for any tax benefit (along with any interest and penalty if applicable) claimed in a tax return in excess of the amount recognized in the financial statements. Any changes in amounts recognized are recorded in the period in which they are determined. Deferred Tax Assets and Liabilities are recorded in line with U.S. GAAP and reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes.

5.2 VALUATION OF TECHNICAL PROVISIONS

Non-Life Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin ($381 million as at December 31, 2017).

The best estimate corresponds to the probability-weighted average of future cash flows, discounted using the relevant risk-free interest rate term structure with an appropriate illiquidity adjustment and does not make any allowance for the company's own credit standing. The cash flow projections used in the calculation of the best estimate takes into account all future cash in- and out-flows required to settle the insurance obligations attributable to the lifetime of the policy. The cash flows is based on unbiased current estimates and include:

- Gross liability for unpaid losses and loss expenses which includes amounts determined from loss reports on individual treaties (case reserves), additional case reserves when the Company's loss estimate is higher than reported by the cedants (ACRs) and amounts for losses incurred but not yet reported to the Company (IBNR). The best estimate is determined by Management based upon reports received from ceding companies, supplemented by the Company's own actuarial estimates of reserves for which ceding company reports have not been received, and based on the Company's own historical experience. To the extent that the Company's own historical experience is inadequate for estimating reserves, such estimates may be determined based upon industry experience and Management's judgment;
- Reinsurance recoveries which are based on principles similar to, and consistent with, those underlying the gross liability for unpaid losses and loss expenses;
- Future best-estimate premium payments including premium for business bound but not incepted (BBNI). BBNI premium provision takes into account the expected profits and the time value of money over the period until settlement of the relevant cash out-flows; and
- Expenses that will be incurred servicing existing policies during their lifetime including administrative expenses, claims management expenses, acquisition expenses, investment expenses and overhead expenses.

Reinsurance recoveries represent less than 15% of the gross reserves. Therefore in line with the principle of proportionality, the Company derives the gross best estimate from the net best estimate without an explicit projection of the cash-flows underlying the amounts recoverable from reinsurance contracts. A net-to-gross factor is applied to the net technical provisions and the value of reinsurance recoverables is derived as the excess of the gross over the net estimate. Given the small level of reinsurance recoveries, the expected losses due to counterparty default is considered immaterial and therefore no explicit adjustment has been made for counterparty default.

The risk margin reflects the uncertainty associated with the probability-weighted cash flows. The Cost-of-Capital approach is used under the following guidelines:

- The cost-of-capital rate used is 6% as specified by the BMA;
- The calculation reflects Bermuda regulatory capital requirements calculated using the BSCR capital factors;
- The calculation covers the full period needed to run-off the insurance liabilities and is discounted using the risk-free discount curve (without the illiquidity adjustment);
- The risks taken into account are insurance risk, counterparty credit risk and operational risk; and
- The Company takes credit for diversification between lines of business and risk types consistent with the assumptions underlying the BSCR model.

Life and Health (Long-term) Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin ($231 million as at December 31, 2017).

The best estimate corresponds to the probability-weighted average of future cash flows, discounted using the relevant risk-free interest rate term structure. The cash flow projections used in the calculation of the best estimate takes into account all future cash in- and out-flows required to settle the insurance obligations attributable to the lifetime of the policy. The cash flows is based on unbiased current estimates. The methodologies applied to derive the cash flows differ for each of the separate lines of business.

- For the vast majority of long term business projections are performed using proprietary software based on seriatim data and best estimate assumptions are challenged against industry standards adjusted to reflect emerging experience. For the remainder of the long term business and short term business, a simplified approach is followed using the U.S. GAAP reserves as starting point adjusted to remove margins for prudence.
- In practice, a loading on claims is used for mortality products as an allowance for binary events not included in the data (pandemic event for example).
- Best estimate liabilities include allowance for business bound but not incepted (BBNI) taking into account the expected profits and the time value of money over the period until settlement of the relevant cash out-flows;
- For each class of business, the best estimate includes an allowance for future direct and overhead expenses. The assumptions exclude expenses related to the acquisition of new business.

The risk margin reflects the uncertainty associated with the probability-weighted cash flows. The Cost-of-Capital approach is used under the following guidelines:

- The cost-of-capital rate used is 6%;
- The calculation reflects Bermuda regulatory capital requirements calculated using the BSCR capital factors; the BSCR for longevity risks has been adjusted to reflect an underestimation of the BSCR for longevity swap arrangements.
- The calculation covers the full period needed to run-off the insurance liabilities and is discounted using the risk-free discount curve;
- The risks taken into account are insurance risk, counterparty credit risk and operational risk;
- The Company takes credit for diversification between lines of business and risk types consistent with the assumptions underlying the BSCR model.

5.3 RECOVERABLES FROM REINSURANCE CONTRACTS

The Company uses retrocessional agreements to reduce its exposure to risk of loss on reinsurance assumed. These agreements provide for recovery from retrocessionaires of a portion of losses and loss expenses. The Company remains liable to its cedants to the extent that the retrocessionaires do not meet their obligations under these agreements, and therefore the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk on an ongoing basis. The Company actively manages its reinsurance exposures by generally selecting retrocessionaires having a credit rating of A- or higher. In certain cases where an otherwise suitable retrocessionaire has a credit rating lower than A-, the Company generally requires the posting of collateral, including escrow funds and letters of credit, as a condition to its entering into a retrocession agreement. The Company regularly reviews its reinsurance recoverable balances to estimate an allowance for uncollectible amounts based on quantitative and qualitative factors.

5.4 VALUATION OF OTHER LIABILITIES

Insurance and Reinsurance Balances Payable

Reinsurance Balances Payable

Reinsurance Balances Payable are recorded in line with U.S. GAAP. See section 5.1 *Valuation of Assets—Reinsurance Balances Receivable.*

Amounts due to Affiliates

Amounts due to affiliates are recorded in line with U.S. GAAP.

Ceded Premiums Payable

Ceded premiums payable are recorded in line with U.S. GAAP. See section 5.3 *Recoverables from Reinsurance Contracts.*

Accounts Payable and Accrued Liabilities

Accounts payable are recorded in line with U.S. GAAP. Accounts payable and accrued liabilities includes a liability for the funded status of the Company's defined benefit plans that are underfunded (measured as the difference between the fair value of plan assets and the pension obligation), annual incentive accruals and other trade payables.

Funds Held Under Reinsurance Contracts

Funds Held Under Reinsurance Contracts are recorded in line with U.S. GAAP. See section 5.1 *Valuation of Assets—Funds Held By Ceding Reinsurers—Funds Held by Reinsured Companies* above.

Sundry Liabilities

Derivative Instruments

The Company’s derivative instruments are recorded at fair value, with changes in the fair value netted off Statutory Economic Capital and Surplus.

Balances Payable for Purchase of Investments

Balances payable for Purchase of Investments are recorded at U.S. GAAP carrying value, which approximates fair value due to the short-term nature.

5.5 ANY OTHER MATERIAL INFORMATION

See section 6.1.7 for a reconciliation of the Company's shareholder's equity as per the Company’s financial statements prepared using U.S. GAAP to Statutory Economic Capital and Surplus as calculated under EBS.

6. CAPITAL MANAGEMENT

6.1 ELIGIBLE CAPITAL

6.1.1 CAPITAL MANAGEMENT PROCESS

Capital Adequacy

A key challenge for management is to maintain an appropriate level of capital. Management's first priority is to hold sufficient capital to meet all of the Company's obligations to cedants, meet regulatory requirements and support its position as one of the stronger reinsurers in the industry. Management closely monitors its capital needs and capital level throughout the reinsurance cycle and in times of volatility and turmoil in global capital markets actively takes steps to increase or decrease the Company's capital in order to achieve an appropriate balance of financial strength and shareholder returns. Capital management is achieved by either deploying capital to fund attractive business opportunities, or in times of excess capital and times when business opportunities are not so attractive, returning capital to its common shareholder by way of dividends.

Capital Resources Management

As part of its long-term strategy, the Company will seek to grow capital resources to support its operations throughout the reinsurance cycle, maintain strong ratings from the major rating agencies and maintain the ability to pay claims as they arise.

6.1.2 ELIGIBLE CAPITAL BY TIER

The Company's eligible capital by tier at December 31, 2017 and 2016 was as follows (in millions of U.S. dollars):

	2017	2016
Tier 1	**$ 3,683**	$ 4,159
Tier 2	—	—
Tier 3	—	—
Total	**$ 3,683**	$ 4,159

Tier 1 capital includes statutory economic surplus, capital stock and contributed surplus.

6.1.3 ELIGIBLE CAPITAL APPLIED TO ENHANCED CAPITAL REQUIREMENT (ECR) AND MINIMUM SOLVENCY REQUIREMENT (MSM)

The Company's eligible capital applied to the ECR and MSM by tier at December 31, 2017 was as follows (in millions of U.S. dollars):

	Applied to MSM	Applied to ECR
Tier 1	**$ 3,683**	**$ 3,683**
Tier 2	**—**	**—**
Tier 3	**—**	**—**
Total	**$ 3,683**	**$ 3,683**

6.1.4 TRANSITIONAL ARRANGEMENTS

N/A

6.1.5 ENCUMBERANCES ON CAPITAL

At December 31, 2017 and 2016, approximately $102 million and $84 million, respectively, of cash and cash equivalents and approximately $1,255 million and $901 million, respectively, of securities were deposited, pledged, held in trust or escrow accounts in favor of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws. The increase during the year was a result of collateral required to secure payment for claims related to hurricanes Harvey, Irma and Maria in 2017.

The Company operates a multi-beneficiary U.S. reinsurance trust (the trust) to enable its U.S. cedants to take statutory financial statement credit without the need to post contract-specific security. The trust is required to maintain sufficient assets to support both its liabilities related to some of its U.S. cedants, for contracts incepting after June 2010, and a minimum surplus of $20.0 million. At December 31, 2017 and 2016, assets held by the trust exceeded liabilities and minimum surplus by $143.2 million and $225.2 million, respectively. The Company is currently approved to utilize the trust in all U.S. jurisdictions.

6.1.6 ANCILLARY CAPITAL

N/A

6.1.7. RECONCILIATION OF SHAREHOLDER'S EQUITY TO AVAILABLE CAPITAL AND SURPLUS

The following table compares shareholder's equity as per the Company's financial statements prepared using U.S. GAAP to Statutory Economic Capital and Surplus as calculated under EBS:

December 31, (in thousands of U.S. dollars)	**2017**	**2016**
U.S. GAAP Shareholder's Equity	**$ 3,319,622**	**$ 3,830,393**
Non-Admitted Assets[1]	(29,292)	(29,582)
Deferred Gain[2]	85,281	84,275
Statutory Capital and Surplus (Form 1)	**$ 3,375,611**	**$ 3,885,086**
EBS Adjustments [3]	307,365	273,590
Statutory Economic Capital and Surplus (Form 1EBS)	**$ 3,682,976**	**$ 4,158,676**

1. *Non-admitted assets include goodwill and other similar intangible assets, which are not considered admissible for solvency purposes.*
2. *In 2014, the Company entered into an Assumption Reinsurance Agreement with an affiliate which resulted in a net gain being recognized in the 2014 statutory financial statements. For U.S GAAP purposes this gain was deferred. At December 31, 2017 and 2016, liabilities of $85 million and $84 million, respectively, are included in the U.S. GAAP balance sheet related to this deferred gain.*
3. *At December 31, 2017, EBS adjustments include a reduction in Non-life technical provisions of $577 million (see section 5.2. for a detailed explanation of the valuation of non-life technical provisions) and a reduction in Life technical provisions of $137 million (see section 5.2 for a detailed explanation of the valuation of life technical provisions), which were partially offset by a decrease in deferred acquisition costs (DAC) of $406 million. (On an EBS basis DAC is implicitly included in premium provisions and is not reflected as an asset.) At December 31, 2016, EBS adjustments include a reduction in Non-life technical provisions of $469 million and a reduction in Life technical provisions of $102 million, which were partially offset by a decrease in deferred acquisition costs (DAC) of $297 million.*

6.2. REGULATORY CAPITAL REQUIREMENTS

The Company's ECR and MSM at as December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

	2017	**2016**
ECR	**1,473**	1,315
MSM	**1,146**	927

As at December 31, 2017 and 2016, the Company's solvency, liquidity and risk-based capital levels were in excess of the minimum levels required.

6.3 APPROVED INTERNAL CAPITAL MODEL

N/A

6.4 ANY OTHER MATERIAL INFORMATION

N/A

7. SUBSEQUENT EVENTS

Reinsurance Agreements with U.S. Affiliates

Effective January 1, 2018, the Company entered into stop loss agreements with PartnerRe U.S. and PartnerRe America Insurance Company, subsidiaries of the Parent. The Company did not renew the 45% Quota Share agreement with PartnerRe U.S. for the 2018 underwriting year.

8. DECLARATIONS

We, the Chief Executive Officer and Chief Risk Officer of Partner Reinsurance Company Ltd. do hereby certify that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of Partner Reinsurance Company Ltd. in all material respects.

CHIEF EXECUTIVE OFFICER

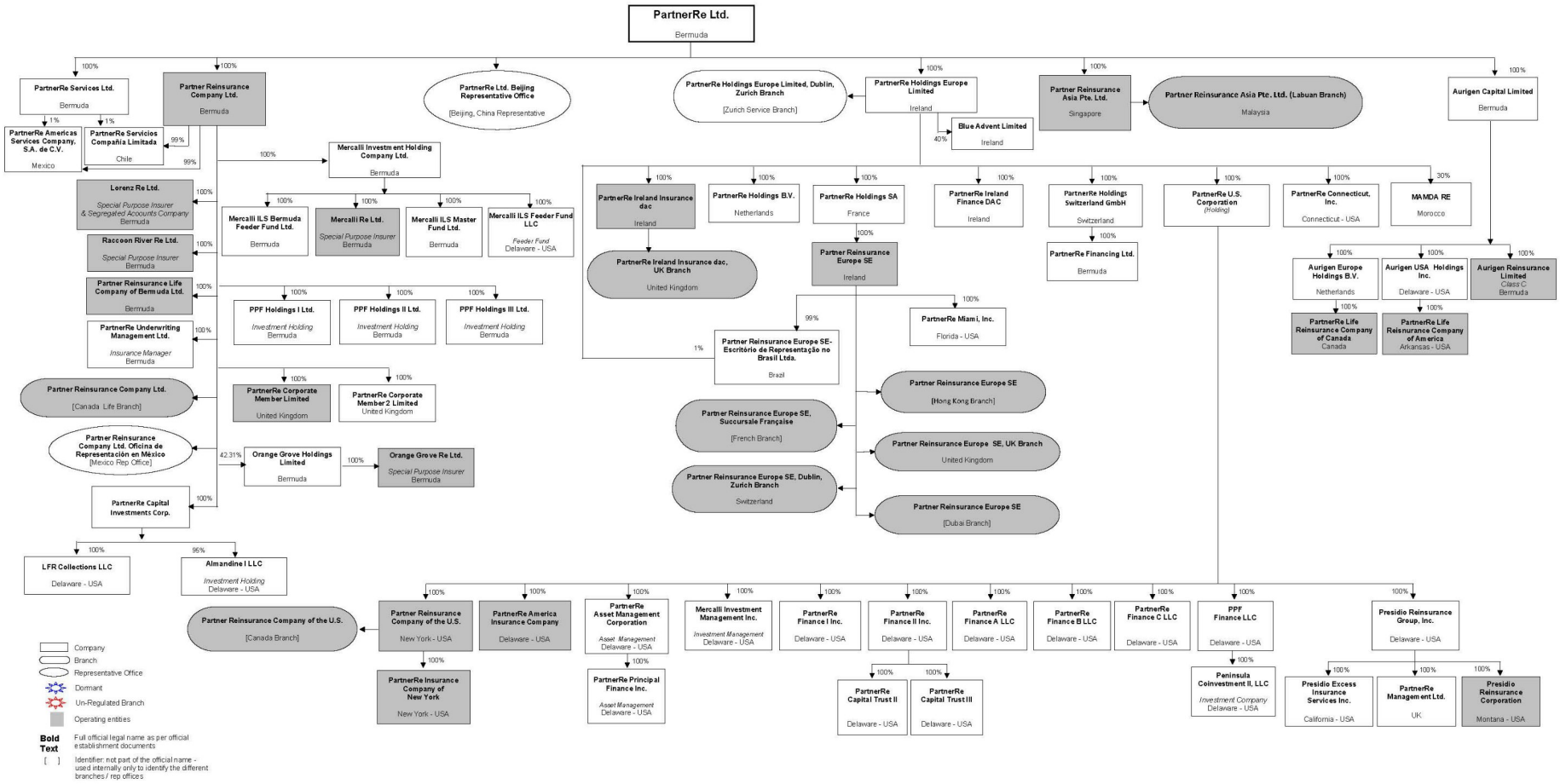
/S/ EMMANUEL CLARKE	April 27, 2018
Emmanuel Clarke	Date

CHIEF RISK OFFICER

/S/ PETER ANTAL	April 27, 2018
Peter Antal	Date

PartnerRe Group Structure

as at March 28, 2018



Appendix II

Contact Details

Group supervisor:

Organization:	Bermuda Monetary Authority
Jurisdiction:	Bermuda
Phone Number:	1(441)295 5278

Approved group auditor:

Organization:	Ernst & Young
Jurisdiction:	Bermuda
Phone Number:	1(441)295 7000