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Research Update:

PartnerRe Life Insurance Co. of America, Canada Rated 'A+' On Guarantee From Partner Reinsurance Co.; Outlook Stable

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Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria

Related Research

Ratings List

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Overview

- Bermuda based Partner Reinsurance Co. Ltd. issued an unconditional and irrevocable guarantee to the policyholders of PartnerRe Ltd.'s newly acquired American and Canadian life reinsurance companies.
- We are rating PLRA and PLRC 'A+'.
- The stable outlook is in line with our outlook on the guarantor, Partner Reinsurance Co. Ltd.

Rating Action

On June 1, 2017, S&P Global Ratings assigned its 'A+' financial strength ratings to PartnerRe Life Reinsurance Co. of America (PRLA) and PartnerRe Life Reinsurance Co. of Canada (PLRC). The outlook is stable. Partner Reinsurance Co. Ltd. (PRB) has provided a guarantee for the due and punctual performance of all present and future reinsurance obligations of PLRA and PLRC. Because the guarantee does not cover general obligations and is limited to reinsurance obligations, we have not assigned issuer or counterparty credit ratings to either of the life reinsurance operating subsidiaries.

Rationale

We equalized the ratings on PLRA and PLRC with those on the guarantor because the newly acquired life reinsurance entities benefit from an unconditional and irrevocable guarantee provided by the Bermuda-based core operating company PRB. The guarantee exclusively covers the policyholders' reinsurance obligations, ranking pari passu to the guarantor's own senior unsecured debt obligations.

On April 3, 2017, the ultimate parent company, PartnerRe Ltd. (PRE), announced the completion of its acquisition of North American life reinsurance company Aurigen Capital Ltd. and its operating companies for C\$375 million (approximately \$286 million) in an all-cash transaction.

The two main operating companies that formed Aurigen Capital Ltd.--Aurigen Reinsurance Co. of America and Aurigen Reinsurance Co. (Canada)--were re-branded PLRA and PLRC, respectively. On a consolidated pro-forma basis, Aurigen represented about 10% of 2016 gross premiums written (GPW) for PRE's post-acquisition life reinsurance business. Furthermore, Aurigen will add

approximately 3% to PRE's total GPW. PRE's management sees Aurigen, which had \$136 million of GPW in 2016, as an expansion of its life reinsurance footprint in Canada and the U.S. with virtually no overlap in market coverage and limited integration risk. Aurigen holds a 9% share in Canada's life reinsurance market. However, this market is dominated by large players such as RGA, Munich Re, Swiss Re, and SCOR, which collectively control more than 85% of that market. PRE plans to capitalize on its larger balance sheet, credit quality, and brand to drive Aurigen's growth strategy.

Outlook

The stable outlooks on PLRA and PLRC mirror our outlook on the guarantor, PRB, and our expectation that the guarantee will remain in force. As a result, we expect the ratings and outlooks to remain aligned with those on the guarantor.

Related Criteria

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- PartnerRe Ltd. And Operating Subsidiaries, May 8, 2017
- PartnerRe Ltd. And Subs Ratings Affirmed After ERM Revision To Strong; Outlook Stable, March 24, 2017
- PartnerRe Ltd. Ratings And Outlook Unaffected By Announced Acquisition Of Canadian Life Reinsurer Aurigen, Oct. 20, 2016
- PartnerRe Ltd. 750 Mil. Euro 10-Year 1.25% Unsecured Notes Rated 'A-', Sept. 8, 2016
- PartnerRe Ltd., Subs Outlooks Revised To Stable From Neg.; Ratings Affirmed, Delinked From EXOR, Sept. 7, 2016
- PartnerRe Ltd. Outlook Revised To Negative From Stable, Ratings Affirmed After EXOR Sale Agreement Announced, Aug. 3, 2015

Ratings List

New Rating

PartnerRe Life Reinsurance Company of America

PartnerRe Life Reinsurance Company of Canada

Financial Strength Rating

Local Currency

A+/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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