



PRE Life Bermuda Re Ltd.

Financial Condition Report

December 31, 2018

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1. SUMMARY

PRE Life Bermuda Re Ltd. (the Company) is an exempt company incorporated under the laws of Bermuda with limited liability and is a wholly-owned and direct subsidiary of PartnerRe U.S. Corporation (the Parent), a Delaware holding company. The Parent is a wholly-owned indirect subsidiary of PartnerRe Ltd. (PartnerRe or the Group), an international reinsurance group, 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 Wellesly House South, 90 Pitt's Bay Road, Pembroke HM08, Bermuda (telephone number: +1 441-292-0888).

This Financial Condition Report (FCR) is prepared pursuant to the Insurance (Public Disclosure) Rules 2015 (the Rules). The Rules specify the requirement for commercial insurers to prepare a FCR and requires that it be made publicly available on the insurer's website. This FCR 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 reinsurance group, with a broadly diversified and balanced portfolio of traditional reinsurance and capital markets risks. The four main operating companies world-wide within the PartnerRe group include Partner Reinsurance Company Ltd., 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.

Unless otherwise specified, all figures provided in this report are in the U.S. dollar functional currency of the Company.

The Company's net income on a U.S. GAAP basis for the period ended December 31, 2018 was \$2.1 million. 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, 2018 (in thousands of U.S. dollars, except percentages) were as follows:

	<u>2018</u>
Available Economic Statutory Capital and Surplus	125,673
ECR	66,115
BSCR Ratio	190%

The Company's eligible capital by tier at December 31, 2018 was as follows (in thousands of U.S. dollars):

	<u>2018</u>
Tier 1	\$ 125,673
Tier 2	—
Tier 3	—
Total	\$ 125,673

This report is primarily based on the Company's Economic Balance Sheet (EBS) as at December 31, 2018. In addition, certain sections include information based on the Company's December 31, 2018 Condensed General Purpose Financial

Statements which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

2. BUSINESS AND PERFORMANCE

2.1 BUSINESS

The Company was incorporated on May 24, 2018 under the laws of Bermuda and, effective October 2, 2018, is licensed as a Class C insurer under the Bermuda Insurance Act 1978 and related regulations, each as amended. The Company is a wholly-owned direct subsidiary of PartnerRe U.S. Corporation, and has elected to be treated as a U.S. corporation for purposes of imposing U.S. tax.

On October 23, 2018, the Company entered into a deed of novation with PartnerRe Life Reinsurance Company of America (as Reinsured) and Aurigen Reinsurance Limited (as Original Reinsurer), both affiliated companies. The Original Reinsurer and the Reinsured are parties to a retrocession agreement dated March 31, 2013 (as amended) covering the Reinsured's mortality, morbidity, and longevity risks. Pursuant to the deed of novation, the Original Reinsurer was discharged from its past and future liabilities and obligations under the retrocession agreement, and its rights, obligations and liabilities under the retrocession agreement were novated to the Company.

The Bermuda Monetary Authority (BMA) has chosen Partner Reinsurance Company Ltd. (a Bermuda affiliate of the Company) as the designated insurer for the purposes of Group Supervision, and the BMA acts as Group supervisor of PartnerRe 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 PartnerRe or any of its subsidiaries, including the power to impose restrictions on the ability of the relevant subsidiaries to declare dividends to PartnerRe. 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.

Please refer to Appendix I for a detailed Group structure chart and Appendix II for the contact details of the Group Supervisor and the Company's approved auditor.

2.2 PERFORMANCE

The tables and financial information in this section are based on the Company's December 31, 2018 Condensed General Purpose Financial Statements prepared using U.S. GAAP.

2.2.1 NET UNDERWRITING RESULT

Net Underwriting Result

Net underwriting 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 (see section 2.2.3.).

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The Company's net underwriting result for the period from incorporation to December 31, 2018 was as follows (in thousands of U.S. dollars):

	<u>2018</u>
Long-term business income	\$ 34,281
Long-term business expenses	<u>(33,044)</u>
Net underwriting profit (loss)	\$ 1,237

2.2.2 INVESTMENT RESULT

Net Investment Income

Net investment income includes interest, dividends and amortization, generated by the Company's investment activities. Net investment income for the period from incorporation to December 31, 2018 was \$393 thousand.

Net Realized and Unrealized Investment Gains

Net realized and unrealized investment gains on the Company's fixed maturity portfolio for the period from incorporation to December 31, 2018 was \$1,087 thousand.

2.2.3 OTHER INCOME AND EXPENSES

The components of net income for the period from incorporation to December 31, 2018 were as follows (in thousands of U.S. dollars):

	<u>2018</u>
Net underwriting result:	
Life and Health	\$ 1,237
Investment result:	
Net investment income	393
Net realized and unrealized investment (losses) gains	1,087
Other components of net income	
Other expenses	(68)
Income tax expense	<u>(556)</u>
Net income	\$ 2,093

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, 2018, consisted of the following persons, each of whom is a senior executive within the PartnerRe group:

1. Alan Ryder;
2. Wanda Mwaura;
3. Ryan Lipschutz; 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, 2018, the senior executives consisted of the following persons:

1. Wanda Mwaura - Principal Representative
2. Joseph Hooks - Chief Pricing Officer
3. Bob Brown - Actuary
4. Jose Lopez - Chief Financial Officer
5. Lee Iannarone - General Counsel
6. Seth Darrell - Associate General Counsel and Secretary

3.1.1 CORPORATE GOVERNANCE FRAMEWORK

As at year end 2018 PartnerRe, the parent of the Company, is a Bermuda domiciled company with a listing of its non-voting preferred shares listed 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. PartnerRe is therefore subject to certain of 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 PartnerRe with the SEC include the consolidated results of PartnerRe 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 reinsurer under the laws of Bermuda, is regulated by the BMA and subject to the applicable laws and regulations of Bermuda.

In considering the appropriate level of oversight for the Company we have looked at the overall governance structure of the Group. The Board of Directors of the Company (the Board) 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:

- the Company's Bye-Laws;
- PartnerRe's Code of Business Conduct and Ethics;

- PartnerRe's Enterprise Risk Management framework; and
- PartnerRe's Group Subsidiary Corporate Governance Principles.

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 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 Board of the Company as relevant and appropriate

Meetings of the Board

The Board has not appointed any committees; however, the Board meets at least twice per year and all Board meetings are conducted in Bermuda.

The Board's Role in Risk Oversight

PartnerRe through its subsidiaries 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 Group's alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis. The Company is licensed to write life business and has exposure to life and health risks through a 80% quota share with PartnerRe Life Reinsurance Company of America, an affiliate. Risks reinsured include mortality and morbidity.

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. The Company's officers are responsible for ensuring appropriate risk monitoring and to discuss the Company's risk management framework and risk inventory.

As described above, PartnerRe has an enterprise risk management framework which looks across the Group. The Company's Board will link to PartnerRe's Group Enterprise Risk Committee to ensure consistency of practice and due consideration of operating entities within the Group. 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 PartnerRe Board is responsible for setting the strategies and policies that both support execution of the 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.

The Company utilizes the resources of the Group's internal audit function to ensure an independent review of the Company's internal control framework and risk management practices. The Board 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.

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

All Bermuda employment service contracts are with Partner Reinsurance Company Ltd., PartnerRe and other subsidiaries of PartnerRe.

3.1.3 PENSION OR EARLY RETIREMENT SCHEMES

N/A

3.1.4 AGREEMENTS WITH RELATED PARTIES

Reinsurance Agreements

The Company provides reinsurance to PartnerRe Life Reinsurance Company of America, an affiliate, through a 80% quota share. Risks reinsured include, mortality, morbidity and longevity.

3.2 FITNESS AND PROPRIETY REQUIREMENTS

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

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 comprised:

- 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 Board along with Legal;
- be PartnerRe employees;
- are not required to be Directors of the Company;
- be appointed in consultation with the head of relevant support function, if applicable; and

- satisfy the minimum description of the role and responsibilities for Chief Financial Officer/Head of Finance, Actuarial Officer, Compliance Officer/Company Secretary and Chief Risk Officer.

Significant Board Practices

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.

Access to Management

Directors have full and unrestricted access to management. In addition, key members of management attend Board meetings to present information about and field questions in relation to 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 (from time to time) on their own initiative.

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

Biographies of the Board of Directors of the Company:

Alan Ryder

Mr. Ryder leads PartnerRe's life reinsurance business in North America, reporting to the CEO of its global Life and Health reinsurance business unit. He also serves as a Director and CEO of PartnerRe Life Reinsurance Company of Canada and PartnerRe Life Reinsurance Company of America. In 2007 Mr. Ryder was a founder of Aurigen Capital Limited, a Bermuda based reinsurance holding company that was purchased by PartnerRe in 2017. Prior to the formation of Aurigen Capital Limited, Mr. Ryder had a career in the life reinsurance business in North America and in consulting. He holds a Bachelor of Mathematics from the University of Waterloo. He is a Fellow of the Society of Actuaries and a Fellow of the Canadian Institute of Actuaries.

Wanda Mwaura

Ms. Mwaura is the External Reporting Director and Chief Accounting Officer for PartnerRe and is responsible for external reporting and accounting policy. 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 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 CPA, and is a member of CPA Bermuda (formerly ICAB).

Ryan Lipschutz

Mr. Lipschutz is the Group Treasurer of PartnerRe, responsible for PartnerRe group's capital management, rating agency relationships, banking relationships, investor relations as well as oversight of FX, cash and liquidity. He is also the COO of PartnerRe Third Party Capital. He joined PartnerRe in April 2003. 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 exam. Mr. Lipschutz holds a B.A. from Muhlenberg College and is a CFA Charterholder.

Lee Iannarone

Mr. Iannarone is the General Counsel of Partner Reinsurance Company Ltd. 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 Partner Reinsurance Company Ltd. 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 cum laude 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

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.

Bob Brown - Actuary

Mr. Brown is the Chief Actuary and Chief Risk Officer for the PartnerRe North America life reinsurance business. He also serves as a Director of PartnerRe Life Reinsurance Company of Canada. Prior to joining PartnerRe through the acquisition of Aurigen Reinsurance Limited in 2017, Mr. Brown held senior actuarial roles at Aurigen from its inception in 2008. Mr. Brown has over 25 years experience in the insurance industry including as an actuarial consultant and starting his career as a product development actuary. He holds a Bachelor of Mathematics from the University of Waterloo. He is a Fellow of the Society of Actuaries, the Canadian Institute of Actuaries, and a member of American Academy of Actuaries.

Joseph Hooks - Chief Pricing Officer

Mr. Hooks is the Chief Pricing Officer of the Company. Mr. Hooks is also responsible for underwriting North American property catastrophe risk of Partner Reinsurance Company Ltd. and joined PartnerRe in September 2012. 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 - General Counsel
See biography details above.

Seth Darrell - Associate General Counsel & Secretary

Mr. Darrell is the Secretary and Associate General Counsel of the Company and joined PartnerRe in March 2018. Mr. Darrell joined PartnerRe from Appleby (Bermuda) Limited where he practised 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 ASSESSMENT

3.3.1 RISK MANAGEMENT PROCESSES AND PROCEDURES

PartnerRe's Group Enterprise Risk Management (ERM) framework outlines group-wide policies and procedures applicable to the Group and are adopted by its subsidiaries, including the Company. A discussion of the Group's risk management processes and procedures can be found in Item 4. B. *Business Overview—Risk Management* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

3.3.2 IMPLEMENTATION OF RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT SYSTEMS

3.3.2.1 Enterprise Risk Management Framework

As noted above, PartnerRe has a group-wide ERM framework following generally accepted best practice and consistent with the major regulatory regimes the Group operates in. As the Company only accepts risk from an affiliate, its risks are considered in the implementation of Group ERM framework as described below at the affiliate, and its Parent. The Group ERM framework is in line with the regulatory framework in Bermuda and consists of the following main components:

- Risk Governance
- Risk Assessment
- Risk Appetite Framework
- CISSA

Risk Governance

The ERM framework is governed by a set of policies, collectively known as Group Risk Policies. These policies are subject to annual review and approval by the Board of PartnerRe. Senior management of PartnerRe is involved in the annual review and ensures overall alignment with the interests of the Company.

Risk Assessment

A risk assessment is an annual process to systematically identify and assess all reasonably foreseeable and relevant material risks, and rate them in order to identify key risks. The risk assessment takes into account the effectiveness of

controls and other mitigating factors.

Risk owners across the Group, senior management and board members are involved in preparing, discussing and reviewing the risk assessment

Risk Appetite Framework

Risk appetite is defined as the overall level of risk the Company is prepared to accept in pursuit of its strategic objectives. The Company's Risk Appetite is defined through the minimum target regulatory capital corresponding to a 120% BSCR ratio.

The Commercial Insurer's Solvency Self-Assessment (CISSA)

The CISSA builds on the Risk Assessment and the Risk Appetite Framework. It assesses the adequacy of the Company's risk management and the current and projected future solvency position (see section 3.3.2.2.).

3.3.2.2 SOLVENCY SELF ASSESSMENT (SSA)

As the company only assumes risk from an affiliate in the Group, the CISSA capital is defined through the 120% BSCR ratio.

3.4 INTERNAL CONTROLS

3.4.1 INTERNAL CONTROL SYSTEM

As stated earlier in the report, PartnerRe'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.

PartnerRe's Board oversees the internal control system and is supported in the first instance by its 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 PartnerRe'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 solvency ratios and calculations; and
- that the Company's capital and liquidity is managed efficiently and effectively.

3.4.2 COMPLIANCE FUNCTION

The Group's Compliance function (which is headed by PartnerRe's Head of Legal & Compliance) comprises the Group's Legal & 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;
- 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.

PartnerRe'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 of PartnerRe oversees, as part of the requirements of Sarbanes–Oxley. 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 Group 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 internal 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.
- Ensures capital is appropriately attributed to business units for pricing purposes.

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; and
- the Company complies with regulatory and financial requirements for the estimation and reporting of reserves within an appropriately controlled framework.

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

A discussion of the Group's risk material risks can be found in Item 4.B. *Business Overview—Risk Management* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

As part of the ERM Framework, the Company's risks are structured in a *Risk Universe*. The Risk Universe should cover all reasonably foreseeable and relevant material risks to the Company. It is expected to develop over time as the industry, business portfolio mix and the Company's operational structure evolves.

The Risk Universe is structured in the following main categories and subcategories:

- Strategic Risk
- Reputational Risk
- Emerging Risk
- Reinsurance Risk
- Financial Market and Credit Risk
- Operational Risk

The material risks for the Company are:

- Market Risk
- Interest Rate Risk
- Default and Credit Spread Risk
- Mortality Risk
- Pandemic Risk

4.2 RISK MITIGATION

A discussion of the Group's risk material risks and risk mitigation can be found in Item 4.B. *Business Overview—Risk Management—Risk Mitigation* PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

4.3 MATERIAL RISK CONCENTRATIONS

Fixed maturities

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's investment portfolio is managed following prudent standards of diversification and a prudent investment philosophy. The Company is not exposed to any significant credit concentration risk on its investments, except for debt securities issued by the U.S. government. At December 31, 2018, the Company's fixed maturity investment portfolio did not contain exposure to any non-U.S. sovereign government or any other issuer that accounted for more than 10% of the Company's shareholder's equity.

4.4 INVESTMENT PHILOSOPHY

A discussion of PartnerRe's investment philosophy can be found in Item 5. *Operating and Financial Review and Prospects—Investment Operations* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

4.5 STRESS TESTING OF MATERIAL RISKS

The Company performs stress testing for its material risks. A key component of the CISSA is the projection of the capital position under normal and adverse scenarios and the performance of scenarios which would be the likely cause of business failure. In addition, some of the risk tolerance criteria set by the Board and monitored on a quarterly basis are based on certain predefined extreme scenarios.

BSCR Model Stress Testing

The Company also performs BMA prescribed stress testing and provides an estimate of the gross and net losses after specified events. In addition, the BMA instructions also require the Company to estimate an insurer specific worst case scenario. The worst case scenario is a 10% increase in mortality rates at all ages. The estimated net loss is \$97 million under this scenario, hence, the available economic statutory capital at December 31, 2018 is sufficient to fulfill the Company's obligations.

4.6 ANY OTHER MATERIAL INFORMATION

N/A

5. SOLVENCY VALUATION

The information in this section is based on the Company's Economic Balance Sheet as at December 31, 2018.

5.1 VALUATION OF ASSETS

PartnerRe values its assets in accordance with U.S. GAAP, including the use of the fair value measurement for certain assets. A discussion of the Group's significant accounting policies can be found in Note 2 to the Consolidated Financial Statements in Item 18 of PartnerRe's report on Form 20-F for the fiscal year ended December 31, 2018.

The Company records the following material adjustments to assets from U.S. GAAP to EBS:

- remove non-admitted assets such as prepaid expenses; and
- remove deferred acquisitions costs (these are included in liabilities as a component of technical provisions).

See also Section 6.1.7 *Reconciliation of Shareholder's Equity to Available Capital and Surplus*.

5.2 VALUATION OF TECHNICAL PROVISIONS

Life and Health (Long-term) Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin (\$34.7 million as at December 31, 2018).

The best estimate corresponds to the probability-weighted average of future cash flows, discounted using the relevant risk-free interest rate term structure as prescribed by the BMA. 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 are based on unbiased current estimates, and the methodology applied to derive the cash flows for the vast majority of long term business projections are performed using an industry standard actuarial 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 representative cash flow models based on pricing best estimate assumptions are used. The best estimate projections include 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 calculation covers the full period needed to run-off the insurance liabilities and is discounted using the riskfree discount curve as prescribed by the BMA;
- 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

N/A

5.4 VALUATION OF OTHER LIABILITIES

PartnerRe values its other liabilities in accordance with U.S. GAAP. A discussion of the Group's significant accounting policies can be found in Note 2 to the Consolidated Financial Statements in Item 18 of PartnerRe's report on Form 20-F for the fiscal year ended December 31, 2018.

5.5 ANY OTHER MATERIAL INFORMATION

See section 6.1.7 for a reconciliation of the Company's shareholders' 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

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 unquestioned ability to pay claims as they arise.

6.1.2 ELIGIBLE CAPITAL BY TIER

The Company's eligible capital by tier at December 31, 2018 was as follows (in thousands of U.S. dollars):

	2018
Tier 1	\$ 125,673
Tier 2	—
Tier 3	—
Total	\$ 125,673

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 MARGIN (MSM)

The Company's eligible capital applied to the ECR and MSM by tier at December 31, 2018 was as follows (in thousands of Canadian dollars):

	Applied to MSM	Applied to ECR
Tier 1	\$ 125,673	\$ 125,673
Tier 2	—	—
Tier 3	—	—
Total	\$ 125,673	\$ 125,673

6.1.4 TRANSITIONAL ARRANGEMENTS

N/A

6.1.5 ENCUMBERANCES ON CAPITAL

At December 31, 2018, approximately \$72.0 million and \$0.7 million, of securities and cash and cash equivalents, respectively, were deposited or held in a trust account to to secure obligations under a reinsurance agreement with an affiliated company.

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 Condensed General Purpose Financial Statements to Statutory Economic Capital and Surplus as calculated under EBS:

December 31, 2018

(in thousands of Canadian dollars)

U.S. GAAP Shareholder's Equity	\$ 92,093
Non-Admitted Assets	—
Statutory Capital and Surplus (Form 1)	\$ 92,093
EBS Adjustments ¹	33,580
Statutory Economic Capital and Surplus (Form 1EBS)	\$ 125,673

1. At December 31, 2018, EBS adjustments include a decrease in Life technical provisions of \$57 million (see section 5.2 for a detailed explanation of the valuation of life technical provisions) and a decrease in deferred acquisition costs (DAC) of \$24 million. (On an EBS basis DAC is implicitly included in premium provisions and is not reflected as an asset.)

6.2. REGULATORY CAPITAL REQUIREMENTS

The Company's ECR and MSM at as December 31, 2018 were as follows (in thousands of U.S. dollars):

	2018
ECR	66,115
MSM	16,529

As at December 31, 2018, 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

Subsequent to year-end, the Parent contributed cash and investments of \$13.3 million to the Company as contributed surplus.

PRE LIFE BERMUDA RE LTD.
FINANCIAL CONDITION REPORT DECEMBER 31, 2018

8. DECLARATIONS

We, Directors of PRE Life Bermuda Re Ltd. do hereby certify that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of PRE Life Bermuda Re Ltd. In all material respects.

DIRECTOR


ALAN RYDER

April 30, 2019

Date

DIRECTOR

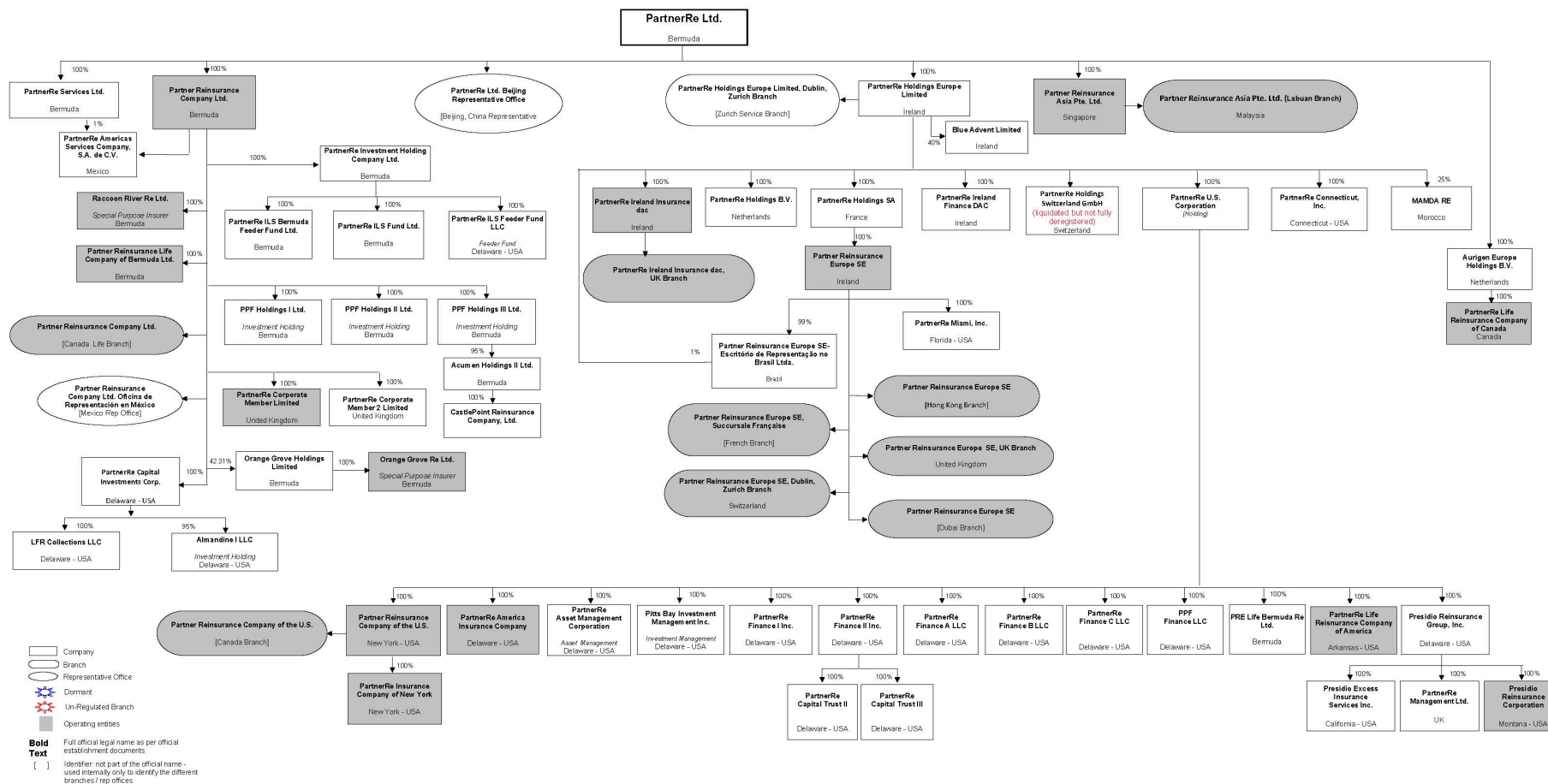

Lee Iannarone

April 30, 2019

Date

PartnerRe Group Structure

as at December 31, 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 Ltd.
Jurisdiction: Bermuda
Phone Number: 1(441)295 7000