PartnerRe

Partner Reinsurance Company Ltd.

Financial Condition Report

December 31, 2018

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1. SUMMARY

Partner Reinsurance Company Ltd. (the Company or PartnerRe Bermuda) is an exempt company incorporated under the laws of Bermuda with limited liability and is a direct and wholly-owned subsidiary of PartnerRe Ltd. (the Parent or PartnerRe), an international reinsurance group. The Parent is a direct and 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 Wellesley 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 an FCR and requires that it be made publicly available on the concerned 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 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 Company's profitability in any particular period can be significantly affected by large catastrophic or other large covered 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 income (loss) for the years ended December 31, 2018 and 2017 was $140 million and $(53) 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, 2018 and 2017 were as follows:

	2018	2017
Available Statutory Economic Capital and Surplus	**$ 4,233**	$ 3,683
ECR	**1,787**	1,473
BSCR Ratio	**237%**	250%

The Company's eligible capital by tier at December 31, 2018 and 2017 was as follows (in millions of U.S. dollars):

	2018	2017
Tier 1	**$ 4,233**	$ 3,683
Tier 2	**—**	—
Tier 3	**—**	—
Total	**$ 4,233**	$ 3,683

This report is primarily based on the Company's Economic Balance Sheets (EBS) as at December 31, 2018 and 2017. In addition, certain sections include information based on the Company's December 31, 2018 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. Non-life risks reinsured include agriculture, aviation/space, casualty, catastrophe, energy, engineering, financial risks, marine, motor, multiline, and property. Life and health risks include mortality, longevity, and accident and health. Reinsurance of 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 with PartnerRe Europe, a 50% quota-share agreement with PartnerRe Asia, a 90% quota-share agreement with PartnerRe Life Reinsurance Company of Canada (PartnerRe Canada) and stop loss agreements with PartnerRe U.S., PartnerRe America Insurance Company, PartnerRe Ireland Insurance dac, PartnerRe Asia and PartnerRe Canada (see section 3.1.14 - *Agreements with Related Parties*).

On November 26, 2018, Partner Reinsurance Life Company of Bermuda Ltd. (PartnerRe Life), a subsidiary of the Company, merged with Aurigen Reinsurance Limited (ARL), a subsidiary of the Parent. The results of operations for the Company include the results of the ARL as of the beginning of the period (see section 2.2 and 5).

The Bermuda Monetary Authority (BMA) has chosen the Company as the designated insurer for the purposes of Group Supervision, and the BMA 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 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 and 2017 Consolidated Financial Statements prepared using U.S. GAAP.

PartnerRe Life, a subsidiary of the Company, merged with ARL, a subsidiary of the Parent in November 2018. The results of operations for the Company for the year ended December 31, 2018 include the results of the ARL as of the beginning of the period in accordance with the Financial Accounting Standards Board (FASB) guidance ASC 805-50 on mergers of entities under common control. In addition, the comparative U.S. GAAP financial information presented for the Company for prior year has been retrospectively adjusted from April 3, 2017, the date at which the entities first came under common control.

2.2.1 TECHNICAL RESULT

Premiums

The Company's gross premiums written for the years ended December 31, 2018 and 2017 are as follows (in millions of U.S. dollars):

	2018	2017
Gross premiums written related to:		
Non-life	**$ 2,399**	$ 2,461
Life and Health	**710**	696
Total gross premiums written	**$ 3,109**	$ 3,157

Losses and Loss Expenses and 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, 2018 and 2017 are as follows (in millions of U.S. dollars):

	2018	2017
Net incurred losses related to:		
Non-life	**$ 1,561**	$ 1,599
Life and Health	**597**	636
Total net incurred losses	**$ 2,158**	$ 2,235

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, 2018 and 2017 are as follows (in millions of U.S. dollars):

	2018	2017
Technical result related to:		
Non-life	**(70)**	(156)
Life and Health	**11**	(63)
Total technical result	**(59)**	(219)

The Non-life technical result for 2018 primarily reflected large catastrophic losses related to typhoons Jebi and Trami, hurricanes Florence and Michael, and the California Wildfires. The 2018 Non-life technical result also included net favorable prior year development of $163 million. 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 increased Life and Health technical result in 2018 is primarily driven by internal retro restructuring for ex-Aurigen business.

The underwriting loss in Life and Health 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 0.4% and 5.6% in 2018 and 2017, respectively, as shown in the table below:

	2018	2017
Fixed maturities	**(0.4)%**	5.9%
Short-term investments, cash and cash equivalents	**1.5 %**	0.9%
Equities	**3.3 %**	16.5%
Other invested assets	**3.9 %**	4.8%
Total Return	**0.4 %**	5.6%

In 2018, the Company's investment portfolio was challenged by increases in U.S., European and Canadian risk-free rates and the widening of U.S. and European investment grade corporate spreads. The Company benefited from positive performances in public and private equity.

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.

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, 2018 and 2017 was as follows (in millions of U.S. dollars):

	2018	2017
Fixed maturities	**$ 172**	$ 175
Short-term investments, cash and cash equivalents	**7**	2
Equities	**3**	—
Funds held and other	**16**	17
Investment expenses	**(19)**	(27)
Net investment income	**$ 179**	$ 167
Interest income on intercompany loans	**1**	6
Total investment income	**$ 180**	$ 173

Net investment income increased in 2018 compared to 2017 mainly as a result of the merger of ARL and lower investment expenses.

Net Realized and Unrealized Investment (Losses) Gains

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 components of net realized and unrealized investment (losses) gains for the years ended December 31, 2018 and 2017 were as follows (in millions of U.S. dollars):

	2018	2017
Net realized investment (losses) gains on fixed maturities and short-term investments	**$ (88)**	$ 37
Net realized investment gains (losses) on equities	**13**	(5)
Net realized gains (losses) on other invested assets	**17**	(8)
Change in net unrealized gains on other invested assets	**14**	46
Change in net unrealized investment (losses) gains on fixed maturities and short-term investments	**(101)**	75
Change in net unrealized investment gains on equities	**4**	58
Total net realized and unrealized investment (losses) gains	**$ (141)**	$ 203

The net realized and unrealized investment losses of $141 million in 2018 were primarily due to increases in U.S. risk-free rates and widening of U.S. and European investment grade corporate spreads. The net realized and unrealized investment gains of $203 million in 2017 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 primarily to limited partnership investments. The Company recorded losses of $5 million in 2018, primarily due to a decrease in value related to real estate assets held by certain investees. The Company recorded gains of $75 million in 2017 primarily due to Almacantar, a privately held real estate investment and development group, which were driven by appreciation of real estate assets.

2.2.3 OTHER INCOME AND EXPENSES

The components of net income (loss) for the years ended December 31, 2018 and 2017 were as follows (in millions of U.S. dollars):

	2018	2017
Technical result:		
Non-life	**(70)**	(156)
Life and Health	**11**	(63)
Investment result:		
Net investment income	**180**	173
Net realized and unrealized investment (losses) gains	**(141)**	203
Interest in (losses) earnings of equity method investments	**(5)**	75
Other components of net income		
Other income	**10**	5
Other expenses	**(22)**	(36)
Amortization of intangible assets	**(7)**	(2)
Net foreign exchange gains (losses)	**185**	(251)
Income tax expense	**(1)**	(1)
Net income (loss)	**140**	(53)
Change in net unrealized gains on investments, net of tax	**1**	1
Change in currency translation adjustment	**(55)**	40
Comprehensive income (loss)	**86**	(12)

The increase in net income in 2018 compared to 2017 was primarily due to the change from foreign exchange losses in 2017 to gains in 2018 and the improvement in the Non-life and Life and Health technical results (see section 2.2.1 above). These increases were partially offset by net realized and unrealized investment losses in 2018 (compared to 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, 2018, consisted of the following persons, each of whom is either a senior executive of the Company or PartnerRe:

1. Mario Bonaccorso (Chairman)
2. Lee Iannarone
3. Nicolas Hughes
4. Joseph Hooks
5. Turab Hussain (resigned effective March 7, 2019)

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. Mario Bonaccorso - General Manager (effective 26 April 2019)
2. Wanda Mwaura - Principal Representative
3. Terry Kuruvilla - Chief Actuarial Officer - Non-Life
4. Romain Bridet - Chief Actuarial Officer - Life and Health
5. Peter Antal - Chief Risk Officer
6. Jose Lopez - Chief Financial Officer
7. Ryan Lipschutz - Treasurer
8. Nicholas Hughes - Chief Underwriting Officer (appointed Co-Chief Underwriting Officer effective 26 April 2019)
9. Joseph Hooks - Deputy Chief Underwriting Officer (appointed Co-Chief Underwriting Officer effective 26 April 2019)
10. Lee Iannarone - General Manager, General Counsel, Group Representative & Compliance Officer (ceased to be General Manager effective 26 April 2019)
11. Seth Darrell - Secretary and Associate General Counsel

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. 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 Bermuda we have looked at the overall governance structure of the PartnerRe group and the Board of the Company ("Board") has established a comprehensive corporate governance framework which upholds the governance framework established at the PartnerRe 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 Board 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 and internal audit 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 Chief 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 the Company's Chief Risk Officer has a dual reporting role, both to the Risk Committee of the Company and the centralized risk function at PartnerRe Group. The Company’s Chief Risk Officer is responsible for ensuring appropriate risk monitoring and to discuss the Company’s risk management framework and risk inventory. The Company’s Chief 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 contributes 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 each 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, 2018, the Company had the following quota-share reinsurance agreements with affiliated companies:

- a 65% quota-share agreement to assume existing and new business from PartnerRe Europe. PartnerRe Europe is a 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 existing and renewal business from PartnerRe Canada. PartnerRe Canada is licensed by the Office of the Superintendent of Financial Institutions (OSFI) to operate as a health and life reinsurer in Canada.

In addition, the company has stop loss agreements with PartnerRe U.S., PartnerRe America Insurance Company, PartnerRe Ireland Insurance dac, PartnerRe Asia and PartnerRe Canada.

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 amounted to $4.8 million.

In 2017, the Company had a loan facility of $50 million with Aurigen Capital Limited, an affiliate. The loan accrued interest at the 3-month Libor plus 375 basis points per annum and the amount of interest income on the loan during 2018 and 2017 amounted to $0.5 million and $1.3 million, respectively. The amount due under this facility at December 31, 2017 of $39.4 million was forgiven by the Company upon the merger of Aurigen Capital Limited with the Parent.

On April 27, 2017, ARL received a loan from the Parent of Canadian $270.6 million (approximately U.S. $207.8 million) to repay the Valins I Limited (Valins) Noteholder long-term operational debt in full. Valins was a special purpose vehicle which provided reinsurance coverage to ARL. On April 28, 2017 Valins became inactive and its reinsurance coverage was recaptured by ARL. At December 31, 2018 and 2017, the amount due to the Parent related to this loan was $198.5 million and $214.7 million, respectively. The loan is non-interest bearing and repayable on or before April 28, 2022.

On June 14, 2017, ARL entered into a Revolving Credit Agreement with the Parent to borrow up to an aggregated principal amount not exceeding one hundred million U.S. dollars for general business use with a termination date of June 30, 2022. At December 31, 2018 and 2017, the amount due to the Parent related to this loan was $16.3 million and $48.8 million, respectively.

Merger

On November 26, 2018, PRLCBL, a subsidiary of the Company, merged with ARL, a subsidiary of the Parent (see section 2.2.).

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 $74.1 million and $85.3 million, at December 31, 2018 and 2017, 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, 2018 and 2017, the total carrying value of this investment, accounted for under the equity, method was $498 million and $538 million, respectively, included within other invested assets in the Consolidated Balance Sheets.

Exor Funds

In 2017, the Company invested $500 million in two Exor managed equity funds. At December 31, 2018 and 2017, the carrying value of these investments totaled $563 million and $551 million, respectively. These investments are recorded at fair value and are included within Equities in the Consolidated Balance Sheets.

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

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 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 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 along with Legal;
- be PartnerRe employees;
- are not required to be Directors of the Company;
- be appointed in consultation with the General Manager and the head of relevant support function, if applicable; and
- satisfy the minimum description of the role and responsibilities for 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 senior executives, 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 and field questions in connection with 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. 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:

Mario Bonaccorso (Chairman)
Mr. Bonaccorso is Executive Vice President and Chief Financial Officer of PartnerRe and a member of PartnerRe group's Executive Leadership Team 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 from Politecnico di Torino University and a 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.

Lee Iannarone
Mr. Iannarone is the General Counsel of the Company 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 the Company 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.

Nicholas Hughes
Mr. Hughes is the Co-Chief Underwriting Officer of the Company and is responsible for underwriting the Global Catastrophe portfolio. He joined the Company in 2008, specializing in U.S. and International catastrophe underwriting and portfolio management, spending time in both the PartnerRe Bermuda and Zurich locations. 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, UK and is an Associate in Reinsurance from the Insurance Institute of America.

Joseph Hooks
Mr. Hooks is the Co-Chief Underwriting Officer of the Company and is responsible for underwriting North American property catastrophe risk 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.

Terry Kuruvilla - effective March 7, 2019
Mr. Kuruvilla is the Chief Actuarial Officer of the Company and 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 to 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.

Turab Hussain - resigned effective March 7, 2019
Mr. Hussain is a member of PartnerRe's Executive Committee and is responsible for the risk management, capital modeling and reserving functions. Mr. Hussain has more than 20 years of experience in the insurance and reinsurance industries. Prior to joining PartnerRe, Mr. Hussain held several senior actuarial and underwriting roles with responsibility for reserving, risk assessment, capital allocation and analysis at the Hartford as well as Arch Insurance Group and American Reinsurance. Mr. Hussain is an Associate of the Casualty Actuarial Society (ACAS), a Member of the American Academy of Actuaries (MAAA) and a Chartered Enterprise Risk Analyst (CERA). He earned his bachelor's degree in economics and statistics from Rutgers University.

Biographies of Executive Management of the Company:

Mario Bonaccorso - General Manager (effective 26 April 2019)
See biography details above.

Wanda Mwaura - Principal Representative
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).

Terry Kuruvilla - Chief Actuarial Officer - Non-life
See biography details above.

Romain Bridet - Chief Actuarial Officer - Life
Mr. Bridet is responsible for Life reserving activities within PartnerRe. He has over 15 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.

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 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.

Nicholas Hughes - Co-Chief Underwriting Officer
See biography details above.

Joseph Hooks - Co-Chief Underwriting Officer
See biography details above.

Lee Iannarone - General Manager, General Counsel, Group Representative & Compliance Officer (ceased to be General Manager effective 26 April 2019)
See biography details above.

Seth Darrell - Secretary and Associate General Counsel
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 ASSESMENT

3.3.1 RISK MANAGEMENT PROCESSES AND PROCEDURES

PartnerRe's Group Enterprise Risk Management 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 Enterprise Risk Management ("ERM") framework following generally accepted best practice and consistent with the major regulatory regimes the Group operates in. The group-wide ERM framework has been implemented in the Company in line with the regulatory framework in Bermuda. It has the following main components:

- Risk Policies
- Risk Assessment
- Risk Appetite Framework
- CISSA (Commercial Insurer's Solvency Self-Assessment)

Risk Policies

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 the Company is involved in the annual review and ensures overall alignment with the interests of the Company. Upon approval by the board of PartnerRe, the Group Risk Policies are adopted by the Board of the Company.

Risk Assessment

The Risk Assessment is an annual process to systematically identify and assess all reasonably foreseeable and relevant material risks for the Company, 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 Company, senior management and the Company's Risk Committee 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 Risk Appetite Framework is comprised of two parts: the Risk Appetite Statements and the Risk Limits and Tolerances.

Risk Appetite Statements	The Risk Appetite Statements define the level and type of risk that the Company is prepared to take in order to achieve its goals
Risk Limits and Tolerances	The Risk Limits and Tolerances define explicit limits and tolerance ranges for quantifiable key risks as identified in the Risk Assessment

The Risk Appetite Framework is reviewed at least annually and approved by the Board of the Company upon recommendation of its Risk Committee.

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

The Commercial Insurer's Solvency Self-Assessment is the Bermuda version of what is called ORSA (Own Risk and Solvency Assessment) in other jurisdictions. It 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 under planned and stressed conditions (see section 3.3.2.2.).

3.3.2.2 SOLVENCY SELF ASSESSMENT

The Commercial Insurer's Solvency Self Assessment (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.

The definition of CISSA capital has been revised: previously the CISSA capital has been defined as the maximum of the internal capital requirement according to the Group Internal Model and the capital corresponding to a target capitalization of a 150% BSCR Ratio.

As the CISSA capital is supposed to represent the minimum required rather than the target capital, it is now defined as the maximum of the internal capital requirement and the capital corresponding to a 120% BSCR ratio which we see as the de facto required regulatory capital.

3.3.3 RELATIONSHIP BETWEEN SOLVENCY NEEDS AND CAPITAL AND RISK MANAGEMENT SYSTEMS

The Company considers two capital notions for solvency purposes, regulatory and internal capital. The Group also assesses rating agency capital which is not further allocated to legal entities.

3.3.4 SOLVENCY SELF ASSESSMENT APPROVAL PROCESS

Approval

The Risk Appetite Framework is approved annually by the Board of the Company upon recommendation of its Risk Committee. Exceptions to the Risk Appetite Framework must be approved by the Chairman of the Board. Such approval shall be temporary, pending ratification by the Board.

Review

The formulation of the Risk Appetite Statements and Risk Limits and Tolerances is a continuous process based on risk identification and assessment (Risk Assessment), strategic planning and objective setting, and reviews of risk appetite as part of the ERM activities throughout the year, in particular

- following the annual Risk Assessment,
- during the analysis of the results and outputs of each CISSA process, and
- in the event of any material change to strategy, operating environment or business performance.

If deemed necessary following a review, the Risk Appetite Framework will be revised. In any event, it will be reviewed at least annually by the Risk Committee and the Board.

The Risk Committee is authorized by the Board to respond to changes in the business environment including the underwriting cycle, competition, macroeconomic trends, risk events, losses, the capital position, credit ratings, market initiatives and other factors, and propose amendments to the Risk Appetite Framework. All amendments to the Risk Appetite Framework require approval by the Board.

Monitoring

The Risk Committee monitors and ensures adherence to the Risk Appetite Framework. The Chief Risk Officer reports compliance, or lack thereof, formally on a quarterly basis to the Board of Directors via the Risk Committee.

Communication

Risk Appetite Statements and Risk Limits and Tolerances are communicated to senior management of the relevant functional areas and, where appropriate, to specific staff such as natural catastrophe underwriters and the Finance functions.

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 Chief Legal Officer) 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 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 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

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 Company's top risks are as follows:

Insurance Risks
- Natural Catastrophe Risks
- Longevity
- Mortality
- Pandemic
- Casualty
- Mortgage
- Credit & Surety

Investment Risks
- Standard Fixed Income Asset Risk
- Financial Asset Risk

4.1 MATERIAL RISKS

Risk Limits

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.

Company specific risk appetite and risk tolerance

The main purpose of the Company's risk limits is to protect the solvency position.

The outside appetite threshold is set at the effective regulatory minimum of 120%. The limit is set at 150% to provide a notional buffer. Currently the resulting capital requirement is also greater than the one implied by 100% internal solvency ratio.

The Company's approved limits and the actual limits deployed at December 31, 2018 and 2017 were as follows (in billions of U.S. dollars):

Company Specific Limits[1]	**December 31, 2018**		December 31, 2017	
	Limit approved	**Actual deployed**	Limit approved	Actual deployed
Natural Catastrophe Risk[2]	**$ 1.45**	**$ 0.62**	$ 1.00	$ 0.52
Casualty	**$ 0.60**	**$ 0.23**	$ 1.00	$ 0.22
Longevity	**$ 1.00**	**$ 0.47**	$ 1.00	$ 0.55
Pandemic	**$ 0.80**	**$ 0.16**	$ 1.00	$ 0.16
Financial Assets Risk	**$ 1.00**	**$ 0.41**	$ 1.00	$ 0.41
Standard Fixed Income Risk	**$ 1.00**	**$ 0.65**	$ 1.00	$ 0.49
Credit & Surety	**$ 0.40**	**$ 0.26**	$ 0.60	$ 0.43
Reserving Risk	**$ 0.40**	**$ 0.20**	$ 0.40	$ 0.25

(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.*

(2) *The Natural Catastrophe Risk limit for the Company is defined as the 1/100 year annual aggregate net loss.*

Natural Catastrophe Probable Maximum Losses (PMLs)

A discussion of the Group's natural catastrophe PMLs can be found in Item 4. B. *Business Overview—Risk Management —Risk Reporting* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018. 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 PML estimates below.

Company PMLs

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, 2018		December 31, 2017	
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	$ 431	$ —	$ 415	$ —
U.S. Northeast	Hurricane	$ 527	$ —	$ 486	$ —
U.S. Gulf Coast	Hurricane	$ 484	$ —	$ 433	$ —
Caribbean	Hurricane	$ 160	$ —	$ 146	$ —
Europe	Windstorm	$ 327	$ —	$ 352	$ —
Japan	Typhoon	$ 171	$ —	$ 171	$ —
California	Earthquake	$ 414	$ 611	$ 387	$ 499
British Columbia	Earthquake	$ 130	$ 249	$ 126	$ 247
Japan	Earthquake	$ 237	$ 265	$ 291	$ 322
Australia	Earthquake	$ 198	$ 249	$ 174	$ 239
New Zealand	Earthquake	$ 142	$ 206	$ 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, 2018 and 2017, 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

In 2017, the Company invested $500 million in two Exor managed equity funds. At December 31, 2018 and 2017, the carrying value of these investments totaled $563 million and $551 million, respectively. These investments are recorded at fair value and are included within Equities in the Consolidated Balance Sheets. 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, 2018 and 2017, the total carrying value of this investment, accounted for under the equity, method was $498 million and $538 million, respectively, included within other invested assets in the Consolidated Balance Sheets. See section 3.1.4 - *Agreements with Related Parties—Almacantar Group S.A.*

Derivatives

The Company also has credit risk exposure as a party to foreign exchange forward contracts and other derivative contracts (e.g. futures contracts, total return and interest rate swaps, longevity swaps and parametric weather derivatives 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.

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 is subject to the credit risk of its cedants in the event of their insolvency or their failure to honor the value of the funds held balances due to the Company 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. Funds held balances for which the Company receives an investment return based upon either the results of a pool of assets held by the cedant or the investment return earned by the cedant on its investment portfolio are exposed to counterparty credit risk. The Company is also exposed, to some extent, to the underlying financial market risk of the pool of assets, to the extent the underlying policies may have guaranteed minimum returns on GMDB business.

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 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. An allowance for uncollectible reinsurance recoverable was not deemed necessary at December 31, 2018 and 2017 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. See also section 4.2 - *Retrocessional Reinsurance* above.

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 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) is $1,935 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 (40%), adverse deviation of reserves (23%) and Natural Catastrophe Risks (17%).

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, 2018 and 2017.

PartnerRe Life, a subsidiary of the Company, merged with ARL, a subsidiary of the Parent in November 2018. In accordance with section I.18 of the Bermuda Monetary Authority's guidance note for Commercial Insurers and Insurance Groups' Statutory Reporting Regime, the results of ARL have been included in the statutory financial statements for the year ended December 31, 2018. The 2017 comparatives in the statutory financial statements and EBS have not been restated.

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 goodwill, intangibles and 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

Non-Life Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin ($378 million and $380.6 million as at December 31, 2018 and 2017, respectively).

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 ($343 million and $231.2 million as at December 31, 2018 and 2017, respectively).

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

See section 5.2 *Valuation of Technical* provisions above.

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.

The Company records an adjustment to other liabilities on an EBS basis to recognize a net gain on an Assumption Reinsurance Agreement with an affiliate. This gain is deferred for U.S. GAAP purposes. See also Section 6.1.7 *Reconciliation of Shareholder's Equity to Available Capital and Surplus*.

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 priority for management is to hold sufficient capital to meet all of the Company's obligations to cedants, meet regulatory and rating agency requirements of the group and the Company's regulated subsidiaries 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 or curtailing capital to fund business opportunities and, during times when the Company has excess capital and business opportunities are not so attractive, returning capital to its shareholders 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, 2018 and 2017 was as follows (in millions of U.S. dollars):

	2018	2017
Tier 1	**$ 4,233**	$ 3,683
Tier 2	—	—
Tier 3	—	—
Total	**$ 4,233**	$ 3,683

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

The increase in eligible capital in 2018 compared to 2017 was primarily due a higher level of net favorable EBS adjustments (see section 6.1.7) in 2018 compared to 2017, the merger of ARL and comprehensive income earned during 2018.

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, 2018 was as follows (in millions of U.S. dollars):

	Applied to MSM	Applied to ECR
Tier 1	**$ 4,233**	**$ 4,233**
Tier 2	**—**	**—**
Tier 3	**—**	**—**
Total	**$ 4,233**	**$ 4,233**

6.1.4 TRANSITIONAL ARRANGEMENTS

N/A

6.1.5 ENCUMBERANCES ON CAPITAL

At December 31, 2018 and 2017, approximately $54.3 million and $103.4 million, respectively, of cash and cash equivalents and approximately $1,802.6 million and $1,725.5 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 2018 was mainly driven by collateral required to secure payment for claims related to hurricane Michael and the California wildfires.

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, 2018 and 2017, assets held by the trust exceeded liabilities and minimum surplus by $22.5 million and $143.2 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 as at December 31, 2018 and 2017(in millions of U.S. dollars):

	2018	2017
U.S. GAAP Shareholder's Equity[1]	**3,629.8**	**3,319.6**
Non-Admitted Assets[2]	(99.7)	(29.2)
Deferred Gain[3]	74.1	85.3
Statutory Capital and Surplus (Form 1)	**3,604.2**	**3,375.7**
EBS Adjustments [4]	629.2	307.2
Statutory Economic Capital and Surplus (Form 1EBS)	**4,233.4**	**3,682.9**

1. *The Company merged with ARL, a subsidiary of the Parent in November 2018. In accordance with BMA guidance (see section 5) the results of ARL have been included in the statutory financial statements for the year ended December 31, 2018. The 2017 comparatives for statutory and EBS purposes have not been restated. The 2017 U.S. GAAP shareholder's equity above, if restated, would have been $3,544 million.*
2. *Non-admitted assets include goodwill and other similar intangible assets, which are not admissible for solvency purposes.*
3. *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, 2018 and 2017, liabilities of $74 million and $85 million, respectively, are included in the U.S. GAAP balance sheet related to this deferred gain.*
4. *At December 31, 2018, EBS adjustments include a reduction in Non-life technical provisions of $654 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 $379 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 $405 million. (On an EBS basis DAC is implicitly included in premium provisions and is not reflected as an asset.) At December 31, 2017, EBS adjustments include a reduction in Non-life technical provisions of $577 million and a reduction in Life technical provisions of $137 million, which were partially offset by a decrease in deferred acquisition costs (DAC) of $406 million.*

6.2. REGULATORY CAPITAL REQUIREMENTS

The Company's ECR and MSM at as December 31, 2018 and 2017 were as follows (in millions of U.S. dollars):

	2018	2017
ECR	**1,787**	1,473
MSM	**1,094**	1,146

The increase in ECR at December 31, 2018 compared to 2017 was related to higher foreign currency and mortality risk charges. The increase in foreign currency risk was primarily due to the removal of certain currency hedges and the increase in mortality risk was driven by new business and the merger of ARL.

As at December 31, 2018 and 2017, 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

None.

8. DECLARATIONS

We, the General Manager and the Chief Actuarial 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.

GENERAL MANAGER

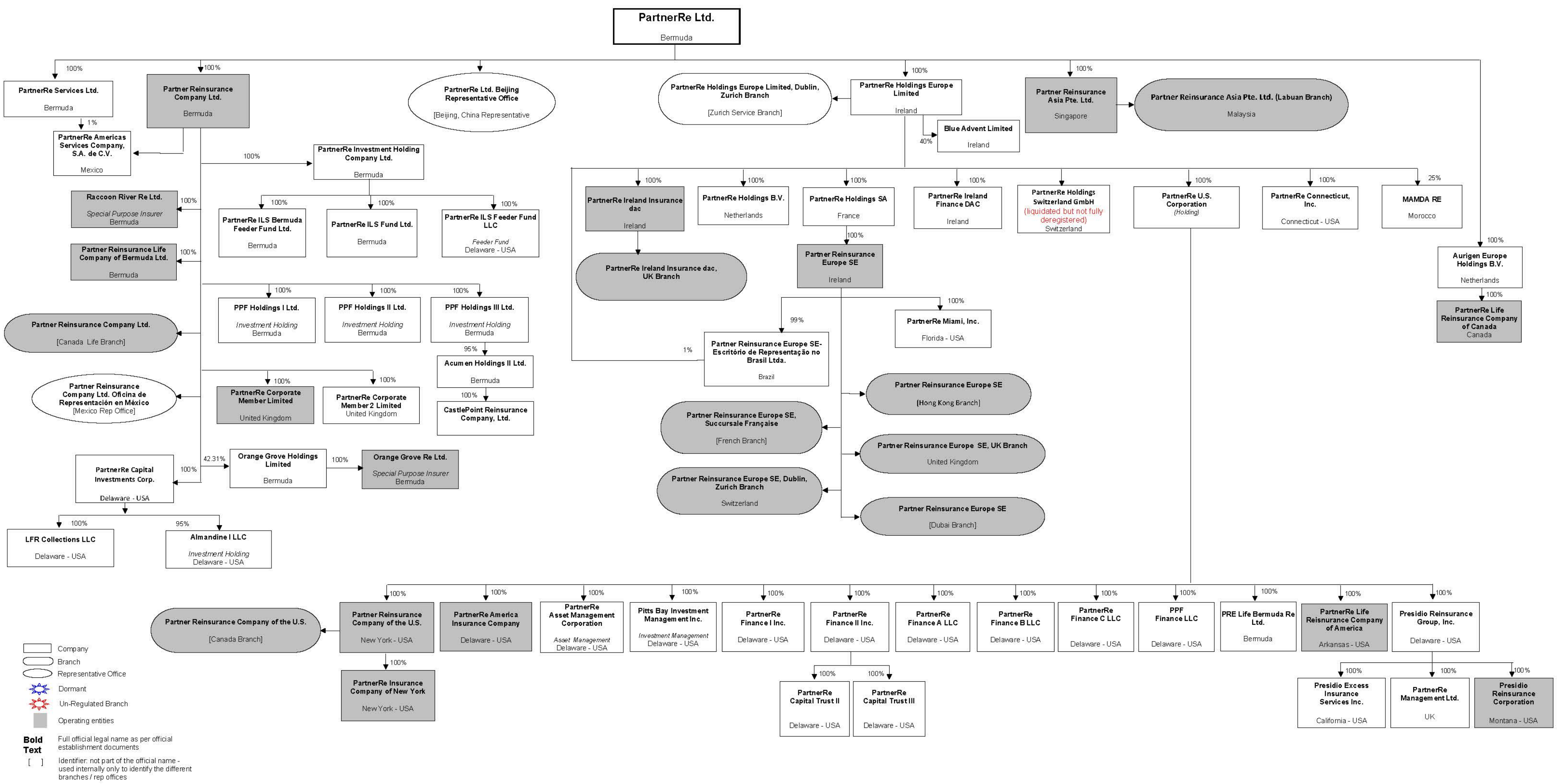
Mario Bonaccorso — April 30, 2019
Date

CHIEF ACTUARIAL OFFICER

Terry Kuruvilla — 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