MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms PartnerRe's ratings following announced acquisition by Covéa; outlook stable

29 October 2021

New York, October 29, 2021 – Moody's Investors Service ("Moody's") has affirmed the A1 insurance financial strength (IFS) ratings of Partner Reinsurance Company Ltd and Partner Reinsurance Company of the US and the debt and preferred stock ratings of PartnerRe Ltd. (PartnerRe, senior shelf (P)A3 stable) and its debt financing subsidiaries. The action follows the announcement that EXOR N.V. and Covéa have signed a memorandum of understanding under which Covéa would, following the completion of a required consultation with works councils, enter into a definitive agreement to acquire PartnerRe in an all-cash transaction valued at approximately $9 billion. Assuming a definitive agreement is reached, the transaction is expected to close in mid-2022, subject to various regulatory approvals and other customary closing conditions. The outlooks for PartnerRe and its subsidiaries are stable.

RATINGS RATIONALE

The rating affirmation reflects Moody's expectation that the change in ownership to Covéa will not meaningfully impact PartnerRe's business strategy and credit profile and that the current management team and other key employees will remain in place. PartnerRe will benefit from being part of a larger insurance organization with substantial capital resources which could be used to alleviate capital strain in the event of large catastrophe losses or to help finance profitable growth opportunities. Key considerations for PartnerRe's ratings going forward include the successful retention of client and broker support following the acquisition, changes, if any, to the firm's risk appetite, its prospective capital adequacy and financial leverage as well as implicit and explicit support provided by Covéa.

PartnerRe's ratings reflect the group's strong market position in specialty reinsurance lines, its broad international presence and operational platform as well as its diversified book of business across a broad range of exposure classes, including life and health reinsurance. Other strengths include its strong capitalization, good core profitability and high quality investment portfolio. Tempering these strengths are the potential for earnings volatility arising from PartnerRe's meaningful property catastrophe reinsurance exposures and from claims inflation in its casualty reinsurance lines.

For the first six months of 2021, PartnerRe reported net income available to common shareholder of $248 million and a non-life combined ratio of 92.4%, compared to a net loss attributable to common shareholder of $204 million and 112.6%, respectively, in the prior year period. The company reported net premiums written of $3.8 billion, up 18% from the prior year period. Although the company's Q3 2021 results will be adversely impacted by losses arising from catastrophes, we expect PartnerRe's core underwriting results to show continued improvement based on firm rate increases in non-life reinsurance and underwriting actions taken by the company.

PartnerRe's (P)A3 senior shelf rating is two notches below the A1 insurance financial strength rating of the company's flagship operating subsidiary, Partner Reinsurance Company Ltd., reflecting the application of narrower notching for debt instruments issued by insurance groups domiciled in locations that benefit from enhanced group regulatory supervision, including Bermuda.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The following factors could result in an upgrade of PartnerRe's ratings: 1) enhancements to the company's scale and competitive position in the global reinsurance sector; 2) improved balance of premium volume between non-life reinsurance and life & health reinsurance; 3) successful integration with Covéa, with evidence of strong explicit or implicit support; and 4) a sustained reduction in the company's overall risk profile and volatility.

Conversely, the following factors could result in a downgrade of the ratings: 1) significant business disruption following the acquisition resulting from weakening client or broker support or loss of key management and underwriting employees; 2) decline in shareholders' equity by more than 10% over a rolling twelve month period; 3) adjusted financial leverage in excess of 25%; 4) gross underwriting leverage greater than 3x; and 5) sustained weak profitability with returns on capital in the mid-single digits across multiple years.

The following ratings have been affirmed:

PartnerRe Ltd. – provisional senior unsecured shelf at (P)A3, provisional subordinated shelf at (P)Baa1, preferred stock at Baa2(hyb), preferred stock non-cumulative at Baa2(hyb), provisional preferred stock shelf at (P)Baa2, provisional preferred stock non-cumulative shelf at (P)Baa2;

Partner Reinsurance Company Ltd – insurance financial strength at A1;

Partner Reinsurance Company of the US – insurance financial strength at A1;

PartnerRe Finance B LLC – guaranteed senior unsecured debt at A3, guaranteed junior subordinated debt at Baa1(hyb), guaranteed provisional senior unsecured shelf at (P)A3, guaranteed provisional subordinated shelf at (P)Baa1.

PartnerRe Finance C LLC – guaranteed provisional senior unsecured shelf at (P)A3, guaranteed provisional subordinated shelf at (P)Baa1;

PartnerRe Finance II Inc. – guaranteed junior subordinated debt at Baa1(hyb);

PartnerRe Ireland Finance DAC – guaranteed senior unsecured debt at A3.

Outlook actions:

The Outlooks for PartnerRe Ltd., Partner Reinsurance Company Ltd, Partner Reinsurance Company of the US, PartnerRe Finance B LLC, PartnerRe Finance C LLC, PartnerRe Finance II Inc., and PartnerRe Ireland Finance DAC remain Stable.

PartnerRe Ltd., based in Bermuda, is engaged through its subsidiaries in underwriting multi-line reinsurance on a worldwide basis. The company is a wholly-owned subsidiary of EXOR N.V., a leading investment holding company based in Italy. As of June 30, 2021, PartnerRe Ltd. had total shareholders' equity of approximately $7.2 billion.

The principal methodology used in these ratings was Reinsurers Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1187551. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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