

PARTNERRE LTD
Form 10-K/A
February 29, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-14536

PartnerRe Ltd.

(Exact name of registrant as specified in its charter)

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<p>Bermuda (State or other jurisdiction of incorporation or organization) 90 Pitts Bay Road, Pembroke, Bermuda (Address of principal executive offices)</p>	<p>Not Applicable (I.R.S. Employer Identification No.) HM 08 (Zip Code)</p>
<p>(441) 292-0888 (Registrant's telephone number, including area code)</p>	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, \$1.00 par value	New York Stock Exchange, NYSE Euronext Paris,
6.75% Series C Cumulative Preferred Shares, \$1.00 par value	Bermuda Stock Exchange New York Stock Exchange
6.50% Series D Cumulative Preferred Shares, \$1.00 par value	New York Stock Exchange
7.25% Series E Cumulative Preferred Shares, \$1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

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Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of most recently completed second fiscal quarter (June 30, 2011) was \$4,654,659,330 based on the closing sales price of the registrant's common shares of \$68.85 on that date.

The number of the registrant's common shares (par value \$1.00 per share) outstanding, net of treasury shares, as of February 17, 2012 was 65,392,803.

Documents Incorporated by Reference:

Document	Part(s) Into Which Incorporated
Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, relating to the registrant's Annual General Meeting of Shareholders scheduled to be held May 16, 2012 are incorporated by reference into Part II and Part III of this report. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement is not deemed to be filed as part of this report.	

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EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A to PartnerRe Ltd. s Annual Report on Form 10-K for the year ended December 31, 2011 (Form 10-K), originally filed with the Securities and Exchange Commission on February 24, 2012, is being filed to revise the tables that present the development of gross, retroceded and net reserves for unpaid losses and loss expenses for the Company s Non-life business, which were presented in Business Reserves in Item 1 of Part I of the Form 10-K. The revised tables correct certain data previously presented in those tables related to:

- (i) the gross, retroceded and net reserves for unpaid losses and loss expenses as of December 31, 2010 and 2009 that were re-estimated one year later and two years later, including the impact of foreign exchange; and
- (ii) the amount of net paid losses related to the net reserves for unpaid losses and loss expenses as of December 31, 2009 through one year later and two years later, and the reconciliation of net paid losses related to prior years, including and excluding Guaranteed Reserves. In accordance with the rules of the Securities and Exchange Commission, this Amendment No. 1 sets forth the complete text of Form 10-K as amended to correct these tables.

Except as described above, no changes have been made to the Form 10-K, including the Company s consolidated financial statements. This Amendment No. 1 does not reflect subsequent events occurring after February 24, 2012, the original filing date of the Form 10-K, or modify or update in any way disclosures made in the Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

PartnerRe Ltd. has made statements under the captions Business, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, particularly under the captions 2012 Outlook (or similarly captioned sections) and in other sections of this annual report on Form 10-K/A (Amendment No. 1) that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as may, might, will, should, expects, plans, anticipates, believes, estimates, predicts, potential, negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors described under the caption entitled Risk Factors. You should specifically consider the numerous risks outlined under Risk Factors.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this annual report on Form 10-K/A (Amendment No. 1) to conform our prior statements to actual results or revised expectations.

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PART I

ITEM 1. BUSINESS

General

PartnerRe Ltd. (the Company, PartnerRe or we), incorporated in Bermuda in August 1993, is the ultimate holding company for our international reinsurance group. The Company provides reinsurance on a worldwide basis through its wholly owned subsidiaries, including Partner Reinsurance Company Ltd. (PartnerRe Bermuda), Partner Reinsurance Europe plc (PartnerRe Europe) and Partner Reinsurance Company of the U.S. (PartnerRe U.S.). Risks reinsured include, but are not limited to, property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering, energy, marine, specialty property, specialty casualty, multiline and other lines and mortality, longevity and health. The Company also offers alternative risk products that include weather and credit protection to financial, industrial and service companies on a worldwide basis.

In 1997, recognizing the limits of a continued monoline strategy, the Company shifted its strategic focus to become a leading multiline reinsurer. In July 1997, the Company completed the acquisition of SAFR (subsequently renamed PartnerRe SA), a well-established global professional reinsurer based in Paris. In December 1998, the Company completed the acquisition of the reinsurance operations of Winterthur Re, further enhancing the Company's expansion strategy.

In December 2009, the Company completed the acquisition of PARIS RE Holdings Limited (Paris Re), a French-listed, Swiss-based holding company and its operating subsidiaries. The Consolidated Statements of Operations and Cash Flows include the results of Paris Re for the period from October 2, 2009, the date of acquisition of the controlling interest (Acquisition Date). This acquisition provided the Company with enhanced strategic and financial flexibility in a less predictable and more limited growth environment.

Business Strategy

The Company assumes and manages global re/insurance and capital markets risks. Its strategy is founded on a capital-based risk appetite and the selected risks that Management believes will allow the Company to meet its goals for appropriate profitability and risk management within that appetite. Management believes that this construct allows the Company to balance cedants' need for absolute certainty of claims payment with its shareholders' need for an appropriate return on their capital. Operating return on beginning diluted book value per common share and common share equivalents outstanding (Operating ROE) and compound annual growth rate in diluted book value per common share and common share equivalents outstanding (Diluted Book Value per Share) are two of the key metrics used by Management to measure the Company's results. Consequently, the Company has set a goal of an average 13% Operating ROE over a reinsurance cycle and a compound annual growth rate of 10% in Diluted Book Value per Share after the payment of dividends over a reinsurance cycle. See Key Financial Measures in Item 7 of Part II of this report for a detailed discussion of the key measures, used by the Company to evaluate its financial performance, including definitions and basis of calculation.

The Company has adopted the following five-point strategy:

We are diversified across products and insurance markets: PartnerRe writes most lines of reinsurance business in approximately 150 countries worldwide and is open to assuming reinsurance-like risks to further diversify its portfolio. Management believes diversification is a competitive advantage, which increases return per unit of risk, provides access to risk worldwide and reduces the overall volatility of results. Diversification is also the cornerstone of the Company's risk management approach. The reinsurance business is cyclical, but reinsurance cycles by line of business and by geography are rarely synchronized.

We have an appetite for risk provided it helps us deliver superior risk-adjusted returns: PartnerRe is in the business of assuming risk for appropriate return. The Company's products address accumulation risks, complex coverage issues and large exposures faced by clients. The Company's book of business is focused on severity lines of business such as casualty, catastrophe, specialized property and aviation. The Company is willing to

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assume such above average risk, but only if the pricing implies significantly above average risk-adjusted returns. The Company's diversification enables it to assume risks that are individually large for our clients, but are more easily diversified within PartnerRe's portfolio. The Company also writes frequency lines of business such as property, motor and life, which have historically provided modestly lower levels of returns with less volatility.

We manage our capital to optimize long-term returns while maintaining an appropriate risk profile: PartnerRe's business is cyclical and the Company responds to that reality. The Company seeks to manage its capital to optimize shareholder returns over the reinsurance cycle, but it will not unbalance the portfolio by writing only the business that offers the highest return at any point in time. In order to manage capital appropriately across a portfolio and over a reinsurance cycle, the Company believes two things are critical: an appropriate and common measure of risk-adjusted performance and the ability and willingness to redeploy capital for its most efficient and effective use, either within the business or by returning capital to shareholders. To achieve effective and efficient capital allocation, the Company focuses on Operating ROE, supported by strong actuarial and financial analysis.

We create value through superior risk evaluation and intelligent portfolio and relationship management: The Company's technical underwriting, actuarial and portfolio management skills enable the Company to create value by evaluating, valuing and underwriting risk. The company focuses on overall portfolio profitability. The aim is not to select a few highly profitable transactions in any year, but to build sustainable portfolios that can deliver superior returns over several years.

We enhance overall returns through our invested assets in the context of a risk framework appropriate for a reinsurance organization: Strong underwriting must be complemented with prudent financial management, careful reserving and superior asset management in order to achieve the Company's targeted returns. When selecting asset strategies, the Company's priority is to support the reinsurance operations. The Company is willing to take some additional risk on its assets if it helps us generate extra return, but this risk-taking will never put at risk its reinsurance operation. The Company's principal business is the assumption of insurance risk. We will not use insurance or reinsurance as a means of raising funds to pursue other goals.

Reinsurance Operations

General

The Company provides reinsurance for its clients in approximately 150 countries around the world. Through its branches and subsidiaries, the Company provides reinsurance of non-life and life risks to ceding companies (primary insurers, cedants or reinsureds) on either a proportional or non-proportional basis through treaties or facultative reinsurance. The Company's offices are located in Beijing, Hamilton (Bermuda), Dublin, Greenwich (Connecticut), Hong Kong, Labuan, Mexico City, Miami, Montreal, New York, Paris, Santiago, Sao Paulo, Seoul, Singapore, Tokyo, Toronto, Washington, D.C., Zug and Zurich.

In a proportional (or quota share) treaty reinsurance agreement, the reinsurer assumes a proportional share of the original premiums and losses incurred by the cedant. The reinsurer pays the ceding company a commission, which is generally based on the ceding company's cost of acquiring the business being reinsured (including commissions, premium taxes, assessments and miscellaneous administrative expenses) and may also include a profit.

In a non-proportional (or excess of loss) treaty reinsurance agreement the reinsurer indemnifies the reinsured against all or a specified portion of losses on underlying insurance policies in excess of a specified amount, which is called a retention or attachment point. Non-proportional business is written in layers and a reinsurer or group of reinsurers accepts a band of coverage up to a specified amount. The total coverage purchased by the cedant is referred to as a program and is typically placed with predetermined reinsurers in pre-negotiated layers. Any liability exceeding the upper limit of the program reverts to the ceding company.

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In a facultative (proportional or non-proportional) reinsurance agreement the reinsurer assumes individual risks. The reinsurer separately rates and underwrites each risk rather than assuming all or a portion of a class of risks as in the case of treaty reinsurance.

The Company monitors the performance of its operations in three segments, Non-life, Life and Corporate & Other. Segments and the sub-segments of the Company's Non-life segment represent markets that are reasonably homogeneous in terms of geography, client types, buying patterns, underlying risk patterns and approach to risk management. The composition of the Non-life and Life segments is described in more detail below. Corporate and Other is comprised of the capital markets and investment related activities of the Company, including principal finance transactions, insurance-linked securities and strategic investments, and its corporate activities, including other operating expenses.

The following table summarizes the Company's gross premiums written by segment for the years ended December 31, 2011, 2010 and 2009 (in millions of U.S. dollars):

	2011	2010	2009
Non-life segment	\$ 3,831	\$ 4,132	\$ 3,398
Life segment	790	749	595
Corporate and Other segment	12	4	8
Total	\$ 4,633	\$ 4,885	\$ 4,001

The Company's Non-life and Life business is geographically diversified with premiums being written on a world-wide basis. See Note 22 to Consolidated Financial Statements in Item 8 of Part II of this report for additional disclosure of the geographic distribution of gross premiums written and financial information about segments and sub-segments.

Non-life Segment

The Non-life segment is divided into four sub-segments, North America, Global (Non-U.S.) Property and Casualty (Global (Non-U.S.) P&C), Global (Non-U.S.) Specialty and Catastrophe. The North America sub-segment includes agriculture, casualty, motor, multiline, property, surety and other risks generally originating in the United States. The Global (Non-U.S.) P&C sub-segment includes casualty, motor and property business generally originating outside of the United States. The Global (Non-U.S.) Specialty sub-segment is comprised of business that is generally considered to be specialized due to the sophisticated technical underwriting required to analyze risks, and is global in nature. This sub-segment consists of several lines of business for which the Company believes it has developed specialized knowledge and underwriting capabilities. These lines of business include agriculture, aviation/space, credit/surety, energy, engineering, marine, specialty casualty, specialty property and other lines. The Catastrophe sub-segment is comprised of the Company's catastrophe line of business.

The following table summarizes the gross premiums written in each of the Company's Non-life sub-segments for the years ended December 31, 2011, 2010 and 2009 (in millions of U.S. dollars and as a percentage of the total gross premiums written in the Company's Non-life segment):

Non-life sub-segment	2011		2010		2009	
North America	\$ 1,104	29%	\$ 1,028	25%	\$ 1,162	34%
Global (Non-U.S.) P&C	682	18	909	22	677	20
Global (Non-U.S.) Specialty	1,446	38	1,479	36	1,159	34
Catastrophe	599	15	716	17	400	12
Total	\$ 3,831	100%	\$ 4,132	100%	\$ 3,398	100%

The gross premiums written in each Non-life sub-segment for the years ended December 31, 2011, 2010 and 2009, and the year over year comparisons, are described in Results by Segment in Item 7 of Part II of this report.

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The following table summarizes the gross premiums written by line of business in the Company's Non-life segment for the years ended December 31, 2011, 2010 and 2009 (in millions of U.S. dollars and as a percentage of the total gross premiums written in the Company's Non-life segment):

Line of business	2011		2010		2009	
Property and casualty						
Casualty	\$ 510	13%	\$ 519	13%	\$ 506	15%
Property	676	18	862	21	714	21
Motor	229	6	311	7	249	7
Multiline and other	71	2	73	2	72	2
Specialty						
Agriculture	292	8	180	4	305	9
Aviation/Space	235	6	241	6	198	6
Catastrophe	599	15	716	17	400	12
Credit/Surety	326	8	292	7	234	7
Energy	115	3	113	3	107	3
Engineering	189	5	192	5	212	6
Marine	334	9	330	8	200	6
Specialty casualty	108	3	172	4	129	4
Specialty property	147	4	131	3	72	2
Total Non-life segment	\$ 3,831	100%	\$ 4,132	100%	\$ 3,398	100%

The following discussion summarizes the business written in each line of business in the Company's Non-life segment.

Agriculture The Company reinsures, primarily on a proportional basis, agricultural yield and price/revenue risks related to flood, drought, hail and disease related to crops, livestock and aquaculture.

Aviation/Space The Company provides specialized reinsurance protection for airline, general aviation and space insurance business primarily on a proportional basis and through facultative arrangements. Its space business relates to coverages for satellite assembly, launch and operation for commercial space programs.

Casualty The Company's casualty business includes third party liability, employers' liability, workers' compensation and personal accident coverages written on both a proportional and non-proportional basis, including structured reinsurance of casualty risks.

Catastrophe The Company provides property catastrophe reinsurance protection, written primarily on a non-proportional basis, against the accumulation of losses caused by windstorm, earthquake, tornado, tropical cyclone, flood or by any other natural hazard that is covered under a comprehensive property policy. Through the use of underwriting tools based on proprietary computer models developed by its research team, the Company combines natural science with highly professional underwriting skills in order to offer capacity at a price commensurate with the risk.

Credit/Surety Credit reinsurance, written primarily on a proportional basis, provides coverage to commercial credit insurers, and the surety line relates primarily to bonds and other forms of security written by specialized surety insurers.

Energy (Energy Onshore) The Company provides reinsurance coverage for the onshore oil and gas industry, mining, power generation and pharmaceutical operations primarily on a proportional basis and through facultative arrangements.

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Engineering The Company provides reinsurance for engineering projects throughout the world, predominantly on a proportional treaty basis and through facultative arrangements.

Marine (Marine/Energy Offshore) The Company provides reinsurance protection and technical services relating to marine hull, cargo, transit and offshore oil and gas operations on a proportional or non-proportional basis.

Motor The Company's motor business includes reinsurance coverages for third party liability and property damage risks arising from both passenger and commercial fleet automobile coverages written by cedants. This business is written predominantly on a proportional basis.

Multiline The Company's multiline business provides both property and casualty reinsurance coverages written on both a proportional and non-proportional basis.

Property Property business provides reinsurance coverage to insurers for property damage or business interruption losses resulting from fires, catastrophes and other perils covered in industrial and commercial property and homeowners' policies and is written on both a proportional and non-proportional basis. The Company's most significant exposure is typically to losses from windstorm, tornado and earthquake, although the Company is exposed to losses from sources as diverse as freezes, riots, floods, industrial explosions, fires, hail and a number of other loss events. The Company's predominant exposure under these property coverages is to property damage. However, other risks, including business interruption and other non-property losses may also be covered under a property reinsurance contract when arising from a covered peril. In accordance with market practice, the Company's property reinsurance treaties generally exclude certain risks such as war, nuclear, biological and chemical contamination, radiation and environmental pollution.

Specialty Casualty The Company provides specialized reinsurance protection for non-U.S. casualty business that requires specialized underwriting expertise due to the nature of the underlying risk or the complexity of the reinsurance treaty. This reinsurance protection is offered on a proportional, non-proportional or facultative basis.

Specialty Property The Company provides specialized reinsurance protection for non-U.S. property business that requires specialized underwriting expertise due to the nature of the underlying risk or the complexity of the reinsurance treaty. This reinsurance protection is offered on a proportional, non-proportional or facultative basis.

Distribution

The Company's Non-life business is produced both through brokers and through direct relationships with insurance companies. In North America, business is primarily written through brokers, while in the rest of the world, the business is written on both a direct and broker basis.

For the year ended December 31, 2011, the Company had two brokers that individually accounted for 10% or more of its total Non-life gross premiums written. The Aon Group (including the Benfield Group) accounted for approximately 28% of total Non-life gross premiums written, while Marsh (including Guy Carpenter) accounted for approximately 25% of total Non-life gross premiums written. The following table summarizes the combined percentage of gross premiums written through these two brokers by Non-life sub-segment for the year ended December 31, 2011:

Non-life sub-segment	2011
North America	64%
Global (Non-U.S.) P&C	29
Global (Non-U.S.) Specialty	43
Catastrophe	81

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Competition

The Company competes with other reinsurers, some of which have greater financial, marketing and management resources than the Company, and it also competes with new market entrants. Competition in the types of reinsurance that the Company underwrites is based on many factors, including the perceived financial strength of the reinsurer, pricing and other terms and conditions, services provided, ratings assigned by independent rating agencies, speed of claims payment and reputation and experience in the lines of reinsurance to be written.

The Company's competitors include independent reinsurance companies, subsidiaries or affiliates of established worldwide insurance companies, and reinsurance departments of certain primary insurance companies. Management believes that the Company's major competitors are the larger European, U.S. and Bermuda-based international reinsurance companies, as well as specialty reinsurers and regional companies in certain local markets. These competitors include, but are not limited to, Munich Re, Swiss Re, Everest Re, Hannover Re, SCOR, Transatlantic and reinsurance operations of certain primary insurance companies, such as Arch Capital, Axis Capital and XL Group.

Management believes the Company ranks among the world's largest professional reinsurers and is well positioned in terms of client services and underwriting expertise. Furthermore, the Company's capitalization and strong financial ratios allow the Company to offer security to its clients.

Life Segment

Lines of Business

The Company's Life segment includes the mortality, longevity and health lines of business written primarily in the United Kingdom (U.K.), Ireland and France. The Company does not write any new life business in the U.S. The following table summarizes the gross pre