

PARTNERRE LTD
Form 10-Q
November 07, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

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)

Bermuda
(State of incorporation)

Not Applicable
(I.R.S. Employer Identification No.)

90 Pitts Bay Road, Pembroke, HM08, Bermuda

(Address of principal executive offices) (Zip Code)

(441) 292-0888

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(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 the filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of the Registrant's common shares (par value \$1.00 per share) outstanding as of October 31, 2007 was 55,588,593.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have reviewed the accompanying condensed consolidated balance sheet of PartnerRe Ltd. and subsidiaries as of September 30, 2007, and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2007 and 2006, and of shareholders' equity and of cash flows for the nine-month periods ended September 30, 2007 and 2006. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of PartnerRe Ltd. and subsidiaries as of December 31, 2006 and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 1, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche
Deloitte & Touche

Hamilton, Bermuda
November 7, 2007

Table of Contents**PartnerRe Ltd.****Unaudited Condensed Consolidated Balance Sheets**

(Expressed in thousands of U.S. dollars, except parenthetical share and per share data)

	September 30, 2007	December 31, 2006
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (amortized cost: 2007, \$8,964,146; 2006, \$7,852,798)	\$ 8,969,603	\$ 7,835,680
Short-term investments, available for sale, at fair value (amortized cost: 2007, \$122,266; 2006, \$133,872)	122,416	133,751
Equities, available for sale, at fair value (cost: 2007, \$1,224,397; 2006, \$920,913)	1,324,198	1,015,144
Trading securities, at fair value (cost: 2007, \$135,733; 2006, \$578,445)	140,520	599,972
Other invested assets	138,437	105,390
Total investments	10,695,174	9,689,937
Cash and cash equivalents, at fair value, which approximates amortized cost	834,259	988,788
Accrued investment income	147,399	157,923
Reinsurance balances receivable	1,774,779	1,573,566
Reinsurance recoverable on paid and unpaid losses	166,926	168,840
Funds held by reinsured companies	1,097,801	1,002,402
Deferred acquisition costs	660,831	542,698
Deposit assets	366,657	306,212
Net tax assets		17,826
Goodwill	429,519	429,519
Other assets	73,543	70,514
Total assets	\$ 16,246,888	\$ 14,948,225
Liabilities		
Unpaid losses and loss expenses	\$ 7,110,240	\$ 6,870,785
Policy benefits for life and annuity contracts	1,622,564	1,430,691
Unearned premiums	1,535,611	1,215,624
Reinsurance balances payable	194,438	115,897
Ceded premiums payable	6,909	17,213
Funds held under reinsurance treaties	30,651	21,257
Deposit liabilities	403,210	350,763
Net payable for securities purchased	45,827	90,331
Net tax liabilities	34,521	
Accounts payable, accrued expenses and other	160,089	172,212
Long-term debt	620,000	620,000
Debt related to capital efficient notes	257,605	257,605
Total liabilities	12,021,665	11,162,378
Shareholders Equity		
Common shares (par value \$1.00, issued: 2007, 57,145,463; 2006, 57,076,312)	57,145	57,076
Series C cumulative preferred shares (par value \$1.00, issued and outstanding: 2007 and 2006, 11,600,000; aggregate liquidation preference: 2007 and 2006, \$290,000,000)	11,600	11,600
Series D cumulative preferred shares (par value \$1.00, issued and outstanding: 2007 and 2006, 9,200,000; aggregate liquidation preference: 2007 and 2006, \$230,000,000)	9,200	9,200
Additional paid-in capital	1,424,601	1,413,977
Accumulated other comprehensive income:		

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Net unrealized gains on investments (net of tax of: 2007, \$18,983; 2006, \$15,429)	81,504	56,913
Currency translation adjustment	162,033	68,734
Unfunded pension obligation (net of tax of: 2007, \$2,208; 2006, \$2,122)	(7,581)	(7,277)
Retained earnings	2,605,325	2,175,624
Common shares held in treasury, at cost (2007, 1,629,321 shares; 2006, nil)	(118,604)	
Total shareholders equity	4,225,223	3,785,847
Total liabilities and shareholders equity	\$ 16,246,888	\$ 14,948,225

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**PartnerRe Ltd.****Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income**

(Expressed in thousands of U.S. dollars, except share and per share data)

	For the three months ended September 30,	For the three months ended September 30,	For the nine months ended September 30,	For the nine months ended September 30,
	2007	2006	2007	2006
Revenues				
Gross premiums written	\$ 877,943	\$ 813,449	\$ 3,087,464	\$ 3,003,905
Net premiums written	\$ 873,474	\$ 807,788	\$ 3,042,733	\$ 2,968,285
Decrease (increase) in unearned premiums	182,921	165,815	(255,020)	(302,898)
Net premiums earned	1,056,395	973,603	2,787,713	2,665,387
Net investment income	135,577	115,110	385,488	323,382
Net realized investment (losses) gains	(3,103)	23,006	(55,982)	19,176
Other income (loss)	5,445	7,897	(2,948)	28,357
Total revenues	1,194,314	1,119,616	3,114,271	3,036,302
Expenses				
Losses and loss expenses and life policy benefits	562,132	540,717	1,564,904	1,580,912
Acquisition costs	215,456	220,691	622,493	619,373
Other operating expenses	79,073	80,853	238,004	231,766
Interest expense	13,649	13,671	40,643	39,592
Net foreign exchange losses	3,567	6,141	17,121	13,603
Total expenses	873,877	862,073	2,483,165	2,485,246
Income before taxes and interest in (losses) earnings of equity investments	320,437	257,543	631,106	551,056
Income tax expense	34,825	24,915	77,445	52,891
Interest in (losses) earnings of equity investments	(22,691)	3,213	(16,452)	8,449
Net income	\$ 262,921	\$ 235,841	\$ 537,209	\$ 506,614
Preferred dividends	8,631	8,631	25,894	25,894
Net income available to common shareholders	\$ 254,290	\$ 227,210	\$ 511,315	\$ 480,720
Comprehensive income, net of tax				
Net income	\$ 262,921	\$ 235,841	\$ 537,209	\$ 506,614
Change in net unrealized gains or losses on investments, net of tax	71,997	117,890	24,591	(30,870)
Change in currency translation adjustment	52,702	6,659	93,299	46,254
Change in unfunded pension obligation, net of tax	(349)		(304)	
Comprehensive income	\$ 387,271	\$ 360,390	\$ 654,795	\$ 521,998
Per share data				
Net income per common share:				
Basic net income	\$ 4.55	\$ 4.00	\$ 9.05	\$ 8.47
Diluted net income	\$ 4.44	\$ 3.93	\$ 8.83	\$ 8.33

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Weighted average number of common shares outstanding	55,906,565	56,811,746	56,512,693	56,769,894
Weighted average number of common and common share equivalents outstanding	57,329,191	57,800,579	57,888,824	57,686,129
Dividends declared per common share	\$ 0.43	\$ 0.40	\$ 1.29	\$ 1.20

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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(Expressed in thousands of U.S. dollars)

	For the nine months ended September 30,	For the nine months ended September 30,
	2007	2006
Common shares		
Balance at beginning of period	\$ 57,076	\$ 56,730
Issue of common shares	556	100
Repurchase of common shares	(487)	
Balance at end of period	57,145	56,830
Preferred shares		
Balance at beginning of period	20,800	20,800
Issue (repurchase) of preferred shares		
Balance at end of period	20,800	