PARTNERRE LTD
Form 10-Q
May 10, 2004
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended

March 31, 2004

Commission file number 0-2253

PartnerRe Ltd.

(Exact name of Registrant as specified in its charter)

Bermuda	**Not Applicable**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

96 Pitts Bay Road **Pembroke, Bermuda**	**HM 08**
(Address of principal executive offices)	**(Zip Code)**

(441) 292-0888

Registrant s telephone number, including area code

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 (the Exchange Act) 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 x No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes x No ¨

The number of the Registrant s common shares (par value $1.00 per share) outstanding as of May 4, 2004 was 53,804,358.

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INDEPENDENT ACCOUNTANTS REPORT

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 March 31, 2004, and the related condensed consolidated statements of operations and comprehensive income and of shareholders equity and cash flows for the three-month periods ended March 31, 2004 and 2003. These interim condensed consolidated financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. 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 auditing standards generally accepted in the United States of America, 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 auditing standards generally accepted in the United States of America, the consolidated balance sheet of PartnerRe Ltd. and subsidiaries as of December 31, 2003 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 February 9, 2004, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Company s change in method of accounting for goodwill, derivative instruments and hedging activities, Mandatorily Redeemable Preferred Securities and Trust Preferred Securities. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche

Hamilton, Bermuda

April 26, 2004

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PartnerRe Ltd.

Condensed Consolidated Balance Sheets

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

(Unaudited)

	March 31, 2004	December 31, 2003
Assets		
Investments and cash		
Fixed maturities, available for sale, at fair value (amortized cost: 2004, $5,315,968; 2003, $5,241,494)	**$ 5,470,485**	$ 5,343,651
Short-term investments, available for sale, at fair value (amortized cost: 2004, $44,878; 2003, $46,271)	**44,902**	46,307
Equities, available for sale, at fair value (cost: 2004, $644,607; 2003, $614,697)	**761,444**	713,950
Trading securities, at fair value (cost: 2004, $96,907; 2003, $113,385)	**104,942**	122,544
Cash and cash equivalents, at fair value, which approximates amortized cost	**710,072**	558,692
Other invested assets	**84,932**	11,590
Total investments and cash	**7,176,777**	6,796,734
Accrued investment income	**104,078**	132,291
Reinsurance balances receivable	**1,747,725**	1,214,269
Reinsurance recoverable on paid and unpaid losses	**198,408**	188,706
Funds held by reinsured companies	**1,072,965**	1,068,432
Deferred acquisition costs	**444,617**	354,854
Deposit assets	**490,734**	508,037
Taxes recoverable	**57,429**	80,835
Goodwill	**429,519**	429,519
Other	**131,718**	129,337
Total Assets	**$ 11,853,970**	$ 10,903,014
Liabilities		
Unpaid losses and loss expenses	**$ 4,904,394**	$ 4,755,059
Policy benefits for life and annuity contracts	**1,137,879**	1,162,016
Unearned premiums	**1,672,972**	1,035,450
Funds held under reinsurance treaties	**27,288**	27,399
Deposit liabilities	**532,458**	570,634
Long-term debt	**220,000**	220,000
Net payable for securities purchased	**35,258**	5,389
Accounts payable, accrued expenses and other	**148,726**	126,675
Debt related to trust preferred securities	**206,186**	206,000
Mandatorily redeemable preferred securities	**200,000**	200,000
Total Liabilities	**9,085,161**	8,308,622
Shareholders Equity		
Common shares (par value $1.00, issued and outstanding: 2004, 53,781,199; 2003, 53,741,553)	**53,781**	53,742
Preferred shares (aggregate liquidation preference: $290,000,000; par value $1.00, issued and outstanding: 2004, 11,600,000; 2003, 11,600,000;)	**11,600**	11,600
Additional paid-in capital	**1,023,561**	1,023,167
Deferred compensation	**(359)**	(125)

Accumulated other comprehensive income:		
Net unrealized gains on investments, net of tax	**224,435**	166,492
Currency translation adjustment	**10,466**	16,657
Retained earnings	**1,445,325**	1,322,859
Total Shareholders Equity	**2,768,809**	2,594,392
Total Liabilities and Shareholders Equity	**$ 11,853,970**	$ 10,903,014

See Accompanying Notes to Condensed Consolidated Financial Statements

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PartnerRe Ltd.

Condensed Consolidated Statements of Operations and Comprehensive Income

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

(Unaudited)

	For the three months ended March 31, 2004	For the three months ended March 31, 2003
Revenues		
Gross premiums written	**$ 1,553,622**	$ 1,261,590
Net premiums written	**$ 1,523,701**	$ 1,234,747
Increase in unearned premiums	**(630,914)**	(428,510)
Net premiums earned	**892,787**	806,237
Net investment income	**73,584**	61,129
Net realized investment gains	**37,813**	40,070
Other income	**2,793**	2,277
Total Revenues	**1,006,977**	909,713
Expenses		
Losses and loss expenses and life policy benefits	**569,858**	555,997
Acquisition costs	**204,331**	169,722
Other operating expenses	**67,562**	51,271
Interest expense	**10,168**	3,196
Net foreign exchange gains	**(1,197)**	(3,734)
Total Expenses	**850,722**	776,452
Income before distributions related to trust preferred and mandatorily redeemable preferred securities and taxes	**156,255**	133,261
Distributions related to trust preferred and mandatorily redeemable preferred securities		6,815
Income tax expense	**10,611**	2,077
Net income	**145,644**	124,369
Preferred dividends	**4,894**	5,000
Net income available to common shareholders	**$ 140,750**	$ 119,369
Calculation of comprehensive income, net of tax:		
Net income as reported	**$ 145,644**	$ 124,369
Change in unrealized gains or losses on investments	**57,943**	(32,164)
Change in currency translation adjustment	**(6,191)**	10,232
Comprehensive income	**$ 197,396**	$ 102,437

Per share data:				
Earnings per common share:				
Basic net income	**$**	**2.62**	$	2.28
Weighted average number of common shares outstanding		**53,781.1**		52,403.2
Diluted net income	**$**	**2.59**	$	2.22
Weighted average number of common and common equivalent shares outstanding		**54,370.1**		53,738.6

See Accompanying Notes to Condensed Consolidated Financial Statements

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PartnerRe Ltd.

Condensed Consolidated Statements of Shareholders Equity

(Expressed in thousands of U.S. dollars)

(Unaudited)

	Common Shares	Preferred Shares	Additional Paid-In Capital	Deferred Compen-sation	Net Unrealized Gains on Investments, Net of tax	Currency Translation Adjustment	Retained Earnings	Total Share-holders Equity
Balance at December 31, 2003	$ 53,742	$ 11,600	$ 1,023,167	$ (125)	$ 166,492	$ 16,657	$ 1,322,859	$ 2,594,392
Issue of common shares	34		1,318					1,352
Adjustment on purchase contracts for common shares			(1,195)					(1,195)
Issue of restricted common shares	5		271	(276)				
Amortization of deferred compensation				42				42
Net unrealized gains for period					57,943			57,943
Currency translation adjustment						(6,191)		(6,191)
Net income							145,644	145,644
Dividends on common shares							(18,284)	(18,284)
Dividends on preferred shares							(4,894)	(4,894)
Balance at March 31, 2004	$ 53,781	$ 11,600	$ 1,023,561	$ (359)	$ 224,435	$ 10,466	$ 1,445,325	$ 2,768,809
Balance at December 31, 2002	$ 52,376	$ 10,000	$ 977,714	$ (261)	$ 119,605	$ (30,820)	$ 948,568	$ 2,077,182
Issue of common shares	35		1,470					1,505
Adjustment on purchase contracts for common shares			(1,195)					(1,195)
Amortization of deferred compensation				34				34
Net unrealized losses for period					(32,164)			(32,164)
Currency translation adjustment						10,232		10,232
Net income							124,369	124,369
Dividends on common shares							(15,198)	(15,198)
Dividends on preferred shares							(5,000)	(5,000)
Balance at March 31, 2003	$ 52,411	$ 10,000	$ 977,989	$ (227)	$ 87,441	$ (20,588)	$ 1,052,739	$ 2,159,765

See Accompanying Notes to Condensed Consolidated Financial Statements

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PartnerRe Ltd.

Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

(Unaudited)

	For the Three Months Ended March 31, 2004	For the Three Months Ended March 31, 2003
Cash Flows From Operating Activities:		
Net income	**$ 145,644**	$ 124,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Accrual of discount on investments, net of amortization of premium	**11,823**	1,806
Net realized investment gains	**(37,813)**	(40,070)
Changes in:		
Unearned premiums	**630,914**	428,510
Reinsurance balances receivable	**(552,781)**	(429,676)
Unpaid losses and loss expenses including life policy benefits	**180,441**	197,236
Net taxes recoverable	**9,439**	1,397
Other changes in assets and liabilities	**(68,998)**	(48,023)
Net sales of trading securities	**18,705**	1,489
Other items, net	**(2,949)**	(3,657)
Net cash provided by operating activities	**334,425**	233,381
Cash Flows From Investing Activities:		
Sales of fixed maturities	**2,432,880**	2,542,035
Redemptions of fixed maturities	**121,048**	77,767
Purchases of fixed maturities	**(2,641,579)**	(2,425,508)
Net sales (purchases) of short-term investments	**809**	(11,641)
Net purchases of equities	**(19,475)**	(16,645)
Other	**(51,773)**	(5,340)
Net cash (used in) provided by investing activities	**(158,090)**	160,668
Cash Flows from Financing Activities:		
Cash dividends paid to shareholders	**(23,178)**	(20,198)
Issue of common shares	**1,628**	1,505
Adjustment on purchase contract for common shares	**(1,195)**	(1,195)
Net cash used in financing activities	**(22,745)**	(19,888)
Effect of exchange rate changes on cash	**(2,210)**	87
Increase in cash and cash equivalents	**151,380**	374,248
Cash and cash equivalents beginning of period	**558,692**	710,640
Cash and cash equivalents end of period	**$ 710,072**	$ 1,084,888

See Accompanying Notes to Condensed Consolidated Financial Statements

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PartnerRe Ltd.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. General

PartnerRe Ltd. (the Company) provides reinsurance on a worldwide basis through its wholly owned subsidiaries, Partner Reinsurance Company Ltd. (Partner Reinsurance Company), PartnerRe SA, 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, special risk, other lines and life/annuity and health. The Company also offers financial products that provide weather and credit protection to industrial and service companies on a worldwide basis.

The accompanying condensed consolidated financial statements are unaudited and have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. The preparation of financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While Management believes that the amounts included in the condensed consolidated financial statements reflect the best estimates and assumptions, actual results could differ from those estimates. The Company s principal estimates include:

Unpaid losses and loss expenses, including policy benefits for life and annuity contracts;

Gross and net premiums written and net premiums earned;

Recoverability of deferred acquisition costs;

Determination of other-than-temporary impairment of investments;

Recoverability of tax loss carry-forwards;

Valuation of goodwill; and

Valuation of certain derivative financial instruments.

In the opinion of Management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of results for the interim periods have been made. The results for the three-month period ended March 31, 2004 are not necessarily indicative of results to be expected for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2003. Certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

2. Recent Development

In February 2004, the Company invested $73.2 million in Channel Re, a new financial guarantee reinsurer based in Bermuda, which will assume a portfolio of approximately $27 billion of in-force business from MBIA, participate in new MBIA reinsurance treaties and provide facultative reinsurance support to MBIA. Other shareholders in Channel Re are Renaissance Re, Koch Financial Re and MBIA. The Company s investment represents 20% of the common stock of Channel Re and this investment was recorded at cost in the other invested assets line on the Company s condensed consolidated balance sheet at March 31, 2004. The Company will use the equity method to record its share of Channel Re s income starting in the second quarter of 2004 when Channel Re reports the results of its first quarter of operations.

3. New Accounting Pronouncements

In July 2003, the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 03-01, Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts (SOP 03-01). SOP 03-01 provides guidance on accounting and reporting by insurance enterprises for certain non-traditional long-duration contracts and for separate accounts. SOP 03-01 is effective for financial statements for fiscal years beginning after December 15, 2003. The Company has adopted SOP 03-01 as of January 1, 2004 and the adoption did not have a significant impact on the Company s Condensed Consolidated Financial Statements.

In March 2004, the Emerging Issues Task Force (EITF) reached a final consensus on EITF No. 03-01, which is effective for reporting periods beginning after June 15, 2004. EITF No. 03-01 requires that when the fair value of an investment security is less than its carrying value an impairment exists for which a determination must be made as to whether the impairment is other-than-temporary. An impairment loss should be recognized equal to the difference between the investment s carrying value and its fair value when an impairment is other-than-temporary. The EITF No. 03-01 impairment model applies to all investment securities accounted for under SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and to investment securities accounted for under the cost method to the extent an impairment indicator exists or the reporting entity has estimated the fair value of the investment security in connection with SFAS No. 107, Disclosures about Fair Value of Financial Instruments . The disclosures required for investment securities accounted for under the cost method are effective for fiscal years ending after June 15, 2004. The adoption of EITF No. 03-01 is not expected to result in a material change in the Company s condensed consolidated statements of operations or financial position.

4. Stock Options

The following table illustrates the net effect on net income available to common shareholders and net income per share as if the fair value provisions of SFAS 123 had been applied retroactively to all outstanding equity-based compensation for the three-month periods ended March 31, 2004 and 2003 (in thousands of U.S. dollars, except per share data):

	For the three months ended March 31, 2004	**For the three months ended March 31, 2003**

Net income available to common shareholders:		
As reported	$ 140,750	$ 119,369
Add: Stock-related compensation expense included in net income as reported	$ 1,231	$ 263
Less: Total stock-related compensation expense determined under fair-value method for all grants	$ 3,028	$ 2,539
Pro forma	$ 138,953	$ 117,093
Net income per common share:		
Basic		
As reported	$ 2.62	$ 2.28
Pro forma	$ 2.58	$ 2.23
Diluted		
As reported	$ 2.59	$ 2.22
Pro forma	$ 2.56	$ 2.18
Weighted average assumptions used:		
Risk-free interest rate	3.6%	3.7%
Expected life	7 years	7 years
Expected volatility	25%	25%
Dividend yield	2%	2%

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PartnerRe Ltd.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

5. Segment Information

The Company monitors the performance of its underwriting operations in three segments, Non-life, Alternative Risk Transfer (ART) and Life. The Non-life segment is further divided into three sub-segments, U.S. Property and Casualty, Global (Non-U.S.) Property and Casualty and Worldwide Specialty. Segments and sub-segments represent markets that are reasonably homogeneous in terms of geography, client types, buying patterns, underlying risk patterns and approach to risk management.

The U.S. Property and Casualty sub-segment includes property, casualty and motor risks generally originating in the United States and written by PartnerRe U.S. The Global (Non-U.S.) Property and Casualty sub-segment includes property, casualty and motor risks generally originating outside of the United States, written by Partner Reinsurance Company and PartnerRe SA. The Worldwide 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, inasmuch as appropriate risk management for these lines requires a globally diversified portfolio of risks. 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, catastrophe, credit/surety, engineering/energy, marine, special risk and other lines. The ART segment includes finite reinsurance, structured finance and weather-related products, and from the second quarter of 2004, will include the results of the Company s investment in Channel Re. The Life segment includes life, health and annuity lines of business.

Because the Company does not manage its assets by segment, investment income is not allocated to the Non-life segment of the reinsurance operations. However, because of the interest-sensitive nature of some of the Company s Life and ART products, investment income is considered in Management s assessment of the profitability of the Life and ART segments. The following items are not considered in evaluating the results of each segment: net realized investment gains and losses, interest expense, distributions related to trust preferred and mandatorily redeemable preferred securities, net foreign exchange gains and losses, income tax expense or benefit and preferred share dividends. Segment results are shown net of intercompany transactions. During the first quarter of 2004, the Company has treated its ART operations as a reportable segment for the first time. Segment information for the prior period has been reclassified to conform to this new presentation.

Management measures results for the Non-life segment on the basis of the loss ratio , acquisition ratio , technical ratio , other overhead expense ratio and combined ratio. The loss ratio is obtained by dividing losses and loss expenses by net premiums earned, the acquisition ratio is obtained similarly by dividing acquisition costs by net premiums earned and the other overhead expense ratio is obtained by dividing other operating expenses by net premiums earned. The technical ratio is the sum of the loss and acquisition ratios. The combined ratio is the sum of the technical and other overhead expense ratios. Management measures results for the Non-life sub-segments on the basis of the loss ratio, acquisition ratio and technical ratio. Management measures segment results for the Life and ART segments on the basis of the allocated underwriting result , which includes revenues from net premiums earned, other income, net investment income for ART and allocated net investment income for Life, and expenses from losses and loss expenses, acquisition costs and other operating expenses.

For each of the segments and sub-segments presented, premiums are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which generally is one to two years. The difference between the gross and net premiums written is attributable to the cost of retrocession protection, as the Company selectively purchases retrocession protection as part of its overall risk management process.

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PartnerRe Ltd.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

The following table provides a summary of the segment revenues and results for the three-month periods ended March 31, 2004 and 2003 (in millions of U.S dollars except ratios):

For the three months ended March 31, 2004

	US P&C	Global (Non -US P&C)	Worldwide Specialty	Total Non-Life Segment	ART Segment (A)	Life Segment	Corporate	Total
Gross premiums written	$ 376	$ 469	$ 619	$ 1,464	$ 1	$ 89	$	$ 1,554
Net premiums written	$ 376	$ 469	$ 596	$ 1,441	$	$ 83	$	$ 1,524
(Increase) decrease in unearned premiums	(153)	(214)	(253)	(620)	2	(13)		(631)
Net premiums earned	$ 223	$ 255	$ 343	$ 821	$ 2	$ 70	$	$ 893
Losses and loss expenses including life policy benefits	(166)	(187)	(164)	(517)		(53)		(570)
Acquisition costs	(42)	(64)	(73)	(179)		(25)		(204)
Technical Result	**$ 15**	**$ 4**	**$ 106**	**$ 125**	**$ 2**	**$ (8)**	**$**	**$ 119**
Other income	n/a	n/a	n/a		3			3
Other operating expenses	n/a	n/a	n/a	(48)	(4)	(6)	(10)	(68)
Underwriting Result	**n/a**	**n/a**	**n/a**	**$ 77**	**$ 1**	**$ (14)**	**n/a**	**$ 54**
Net investment income	n/a	n/a	n/a	n/a		10	**64**	**74**
Allocated Underwriting Result (6)	**n/a**	**n/a**	**n/a**	**n/a**	**$ 1**	**(4)**	**n/a**	**n/a**
Net realized investment gains	n/a	n/a	n/a	n/a	n/a	n/a	38	38
Interest expense	n/a	n/a	n/a	n/a	n/a	n/a	(10)	(10)
Net foreign exchange gains	n/a	n/a	n/a	n/a	n/a	n/a	1	1
Income tax expense	n/a	n/a	n/a	n/a	n/a	n/a	(11)	(11)
Net Income	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ 146**
Loss ratio (1)	74.3%	73.5%	47.6%	62.9%				
Acquisition ratio (2)	19.0	25.2	21.3	21.9				
Technical ratio (3)	93.3%	98.7%	68.9%	84.8%				
Other overhead expense ratio (4)				5.9				

Combined Ratio [5]	90.7%

[A] This segment will include the company s investment income from Channel Re; however, results for the period ended March 31, 2004 do not include income from Channel Re as Channel Re s first quarter s results will be reported to the Company during the second quarter.

[1] *Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.*

[2] *Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.*

[3] *Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.*

[4] *Other overhead expense ratio is obtained by dividing other operating expenses by net premiums earned.*

[5] *Combined ratio is the sum of the technical ratio and the other overhead expense ratio.*

[6] *Allocated underwriting result is defined as net premiums earned, other income and net investment income less losses and loss expenses, acquisition costs and other overhead expenses.*

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PartnerRe Ltd.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2003

	US P&C	Global (Non -US P&C)	Worldwide Specialty	Total Non-Life Segment	ART Segment (A)	Life Segment	Corporate	Total
Gross premiums written	$ 318	$ 305	$ 552	$ 1,175	$	$ 87	$	$ 1,262
Net premiums written	$ 318	$ 305	$ 530	$ 1,153	$	$ 82	$	$ 1,235
Increase in unearned premiums	(122)	(103)	(197)	(422)		(7)		(429)
Net premiums earned	$ 196	$ 202	$ 333	$ 731	$	$ 75	$	$ 806
Losses and loss expenses including life policy benefits	(138)	(138)	(207)	(483)		(73)		(556)
Acquisition costs	(50)	(49)	(62)	(161)		(9)		(170)
Technical Result	**$ 8**	**$ 15**	**$ 64**	**$ 87**	**$**	**$ (7)**	**$**	**$ 80**
Other income	n/a	n/a	n/a		2			2
Other operating expenses	n/a	n/a	n/a	(38)	(2)	(4)	(7)	(51)
Underwriting Result	**n/a**	**n/a**	**n/a**	**$ 49**	**$**	**$ (11)**	**n/a**	**$ 31**
Net investment income	n/a	n/a	n/a	n/a		12	49	61
Allocated Underwriting Result (6)	**n/a**	**n/a**	**n/a**	**n/a**	**$**	**$ 1**	**n/a**	**n/a**
Net realized investment gains	n/a	n/a	n/a	n/a	n/a	n/a	40	40
Interest expense	n/a	n/a	n/a	n/a	n/a	n/a	(3)	(3)
Net foreign exchange gains	n/a	n/a	n/a	n/a	n/a	n/a	4	4
Income tax expense	n/a	n/a	n/a	n/a	n/a	n/a	(2)	(2)
Distributions related to trust preferred and mandatorily redeemable preferred securities	n/a	n/a	n/a	n/a	n/a	n/a	(7)	(7)
Net Income	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ 124**
Loss ratio (1)	70.3%	68.2%	62.2%	66.0%				
Acquisition ratio (2)	25.7	24.0	18.5	22.0				
Technical ratio (3)	96.0%	92.2%	80.7%					