

PARTNERRE LTD
Form 20-F
March 20, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

..REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE
ACT OF 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

OR

..SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission file number 001-14536

PartnerRe Ltd.
(Exact name of registrant as specified in its charter)

Bermuda
(Jurisdiction of incorporation or organization)

90 Pitts Bay Road, Pembroke, Bermuda
(Address of principal executive offices)

Mario Bonaccorso
Executive Vice President and Chief Financial Officer
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mario.bonaccorso@partnerre.com
(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

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

| Title of each class | Name of each exchange on which registered |
|--|---|
| 5.875% Series F Non-Cumulative Preferred Shares, \$1.00 par value | New York Stock Exchange |
| 6.50% Series G Cumulative Preferred Shares, \$1.00 par value | New York Stock Exchange |
| 7.25% Series H Cumulative Preferred Shares, \$1.00 par value | New York Stock Exchange |
| 5.875% Series I Non-Cumulative Preferred Shares, \$1.00 par value | New York Stock Exchange |

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

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 100,000,000 common shares and 345,644 Class B common shares

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

If this report is an annual or transition report, 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 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 Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes No

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected consolidated financial data of PartnerRe Ltd. and its subsidiaries (the Company or PartnerRe) below should be read in conjunction with the Consolidated Financial Statements, and the accompanying Notes to the Consolidated Financial Statements in Item 18 and with other information contained in this report, including Operating and Financial Review and Prospects in Item 5 of this report.

The selected consolidated financial data for 2018, 2017, 2016, 2015 and 2014 (in millions of United States (U.S.) dollars) is as follows:

| Statement of Operations Data | For the years ended December 31, | | | | |
|---|----------------------------------|----------|----------|----------|----------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Net premiums earned | \$5,514 | \$5,025 | \$4,970 | \$5,269 | \$5,609 |
| Net investment income | 416 | 402 | 411 | 450 | 480 |
| Net realized and unrealized investment (losses) gains | (390) | 232 | 26 | (297) | 372 |
| Other income | 50 | 15 | 15 | 9 | 16 |
| Total revenues | \$5,590 | \$5,675 | \$5,422 | \$5,431 | \$6,477 |
| Net (loss) income | \$(86) | \$264 | \$447 | \$107 | \$1,068 |
| Net (loss) income attributable to common shareholder | \$(132) | \$218 | \$387 | \$47 | \$998 |
| | At December 31, | | | | |
| Balance Sheet Data | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total assets | \$22,760 | \$22,981 | \$21,939 | \$21,406 | \$22,270 |
| Total shareholders' equity | \$6,517 | \$6,745 | \$6,688 | \$6,901 | \$7,049 |
| Common shareholder's equity ⁽¹⁾ | \$5,812 | \$6,041 | \$5,984 | \$6,047 | \$6,195 |

(1) Common shareholder's equity is calculated as Total shareholders' equity less preferred shareholders' equity of \$704 million, the liquidation value of preferred shares.

On March 18, 2016, the Company's common shares were acquired by Exor N.V. (subsequently renamed EXOR Nederland N.V.). As a result, all of the Company's publicly traded common shares and all treasury shares were canceled. At December 31, 2018 and 2017, EXOR Nederland N.V. held 100% of the 100 million common shares of \$0.00000001 par value each (Class A shares) for a total share capital of \$1.00, included in Share capital in the Consolidated Balance Sheets. Accordingly, per share data is no longer meaningful and is no longer presented by the Company.

In 2017 and 2018, the Company issued Class B shares to certain executives of the Company (see also Share Ownership section in Item 6 and Note 14 to the Consolidated Financial Statements in Item 18 of this report).

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

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D. Risk Factors

We expose ourselves to significant risks that can impact our financial strength as measured by United States generally accepted accounting principles (“U.S. GAAP”) or regulatory and rating agencies’ capital requirements. Risk sources for which management has established key risk limits approved by the Board of Directors (the “Board”), and the related approved limits and actual limits deployed, at December 31, 2018 and 2017 are presented in the Risk Management section below in Item 4B.

The following risks should be read in conjunction with the Safe Harbor Statement and the Operating and Financial Review and Prospects section in Item 5, and the Notes to the Consolidated Financial Statements in Item 18 of this report. These risks may affect our financial condition and operating results and, individually or in the aggregate, could cause our actual results to differ materially from past and projected future results. Some of these risks and uncertainties could affect particular business operations or segments, while others could affect all of our businesses. Although risks are discussed separately, many are interrelated.

Except as may be required by law, we undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. It is impossible to predict or identify all risk factors and, consequently, the following factors should not be construed as a complete discussion of risks and uncertainties that may affect us.

As used in these Risk Factors, the terms “the Company”, “PartnerRe”, “we”, “our” or “us” may, depending upon the context, refer solely to the Company, to one or more of the Company’s consolidated subsidiaries or to all of them taken as a whole. The terms EXOR and Exor Group relate to the Company’s ultimate parent, EXOR N.V. and its affiliated companies (see Information on the Company in Item 4 of this report).

Risks Related to Our Company

The catastrophe business that we underwrite will result in volatility of our earnings and could impair our financial condition.

Catastrophic losses result from events such as windstorms, hurricanes, tsunamis, earthquakes, floods, hailstorms, tornadoes, severe winter weather, fires, drought, explosions and other natural and man-made disasters, the incidence and severity of which are inherently unpredictable. We also have substantial exposure to unexpected, large losses resulting from future man-made catastrophic events, such as acts of terrorism, acts of war, nuclear accidents and political instability, or from other perils. Because catastrophe reinsurance accumulates large aggregate exposures to both man-made and natural disasters, our loss experience in this line of business could be characterized as low frequency and high severity. Although we may attempt to exclude losses from terrorism and certain other similar risks from some coverage we write, we continue to have exposure to such unforeseen or unpredictable events. Irrespective of the clarity and inclusiveness of policy language, there can be no assurance that a court or arbitration panel will not limit enforceability of policy language or otherwise issue a ruling adverse to us.

This is likely to result in substantial volatility in our financial results and potentially significant net losses from time to time, and may also result in a material decline of our book value or impairment of our financial condition that may limit our ability to make dividend payments and payments of interest and principal on our debt securities and limit the funds available to make payments on policyholder claims.

Should we incur a very large catastrophic loss or a series of catastrophic losses, our ability to write future business may be adversely impacted if we are unable to replenish our capital.

If actual losses exceed our estimated loss reserves, our net income and capital position will be reduced.

Our success depends upon our ability to accurately assess the risks associated with the businesses that we reinsure. We establish loss reserves to cover our estimated liability for the payment of all losses and loss expenses incurred with respect to premiums earned on the reinsurance contracts that we write. Loss reserves are estimates involving actuarial and statistical projections at a given time to reflect our expectation of the costs of the ultimate settlement and administration of claims. Although we use actuarial models as well as historical reinsurance and insurance industry loss statistics, we also rely heavily on data provided by counterparties and on management’s experience and judgment to assist in the establishment of appropriate claims and claim expense reserves. Because of the many assumptions and estimates involved in establishing reserves, the reserving process is inherently uncertain. Our estimates and judgments are based on numerous factors, and may be revised as additional experience and other data become available and are

reviewed as new or improved methodologies are developed, as loss trends and claims inflation impact future payments, or as current laws or interpretations thereof change.

Estimates of losses are based on, among other things, a review of potentially exposed contracts, information reported by and discussions with counterparties, and our estimate of losses related to those contracts and are subject to change as more information is reported and becomes available. Losses for casualty and liability lines often take a long time to be reported, and frequently can be impacted by lengthy, unpredictable litigation and by the inflation of loss costs over time. Changes in the level of inflation also result in an increased level of uncertainty in our estimation of loss reserves, particularly for long-tail lines of business. As a consequence, actual losses and loss expenses paid may deviate substantially from the reserve estimates reflected in our financial statements.

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Through various acquisitions, we assumed certain asbestos and environmental exposures. Our non-life reserves include an estimate of our ultimate liability for asbestos and environmental claims for which we cannot estimate the ultimate value using traditional reserving techniques, and for which there are significant uncertainties in estimating the amount of our potential losses. These liabilities are especially hard to estimate for many reasons, including the long delays between exposure and manifestation of any bodily injury or property damage, difficulty in identifying the source of the asbestos or environmental contamination, long reporting delays and difficulty in properly allocating liability for the asbestos or environmental damage. Certain of our subsidiaries have received and continue to receive notices of potential reinsurance claims from ceding insurance companies, which have in turn received claims asserting asbestos and environmental losses under primary insurance policies, in part reinsured by us. Such claims notices are often precautionary in nature and are generally unspecific, and the primary insurers often do not attempt to quantify the amount, timing or nature of the exposure. Given the lack of specificity in some of these notices, and the legal and tort environment that affects the development of claims reserves, the uncertainties inherent in valuing asbestos and environmental claims are not likely to be resolved in the near future. As of December 31, 2018, the Company's net non-life reserves included \$47 million related to asbestos and environmental claims.

It is difficult to predict the timing of such events, or estimate the amount of loss any given occurrence will generate. Under U.S. GAAP, we are not permitted to establish reserves for potential losses associated with catastrophic events until an event that may give rise to such losses occurs. If such an event were to occur, our reported income would decrease in the affected period. In particular, unforeseen large losses could reduce our profitability or impair our financial condition.

If ultimate losses and loss expenses exceed t