

PARTNERRE LTD  
Form 10-Q  
November 03, 2011  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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)**

Edgar Filing: PARTNERRE LTD - Form 10-Q

**Bermuda** **Not Applicable**  
(State of incorporation) (I.R.S. Employer Identification No.)  
**90 Pitts Bay Road, Pembroke, HM08, Bermuda**  
(Address of principal executive offices) (Zip Code)  
**(441) 292-0888**  
(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 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  Smaller reporting company

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, net of treasury shares, as of November 1, 2011 was 67,750,164

**Table of Contents**

**PartnerRe Ltd.**

**INDEX TO FORM 10-Q**

|   | <b>Page</b> |
|---|-------------|
| <b>PART I FINANCIAL INFORMATION</b>   |             |
| ITEM 1. Financial Statements  |             |
| <u>Report of Independent Registered Public Accounting Firm</u>  | 3           |
| <u>Unaudited Condensed Consolidated Balance Sheets September 30, 2011 and December 31, 2010</u>   | 4           |
| <u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) Three Months and Nine Months Ended September 30, 2011 and 2010</u> | 5           |
| <u>Unaudited Condensed Consolidated Statements of Shareholders Equity Nine Months Ended September 30, 2011 and 2010</u>   | 6           |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows Nine Months Ended September 30, 2011 and 2010</u>  | 7           |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>   | 8           |
| ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>  | 26          |
| ITEM 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>   | 72          |
| ITEM 4. <u>Controls and Procedures</u>  | 75          |
| <b>PART II OTHER INFORMATION</b>  |             |
| ITEM 1. <u>Legal Proceedings</u>  | 76          |
| ITEM 1A. <u>Risk Factors</u>  | 76          |
| ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>  | 76          |
| ITEM 3. <u>Defaults upon Senior Securities</u>  | 77          |
| ITEM 4. <u>Reserved</u>   | 77          |
| ITEM 5. <u>Other Information</u>  | 77          |
| ITEM 6. <u>Exhibits</u>   | 77          |
| <u>Signatures</u>   | 78          |
| <u>Exhibit Index</u>  | 79          |

**Table of Contents**

**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 (the "Company") as of September 30, 2011, and the related condensed consolidated statements of operations and comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2011 and 2010, and of shareholders' equity, and of cash flows for the nine-month periods ended September 30, 2011 and 2010. 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, 2010 and the related consolidated statements of operations and comprehensive income, shareholders' equity, and of cash flows for the year then ended (not presented herein); and in our report dated February 28, 2011, 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, 2010 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche Ltd.  
Deloitte & Touche Ltd.

Hamilton, Bermuda

November 3, 2011

**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,<br>2011 | December 31,<br>2010 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| Investments:   |                       |                      |
| Fixed maturities, trading securities, at fair value (amortized cost: 2011, \$13,754,316; 2010, \$12,394,797)   | \$ 14,356,056         | \$ 12,824,389        |
| Short-term investments, trading securities, at fair value (amortized cost: 2011, \$97,628; 2010, \$49,132)   | 97,661                | 49,397               |
| Equities, trading securities, at fair value (cost: 2011, \$1,031,364; 2010, \$942,745)   | 1,001,148             | 1,071,676            |
| Other invested assets  | 334,991               | 352,405              |
| <b>Total investments</b>   | <b>15,789,856</b>     | <b>14,297,867</b>    |
| Funds held directly managed (cost: 2011, \$1,294,459; 2010, \$1,751,276)   | 1,322,761             | 1,772,118            |
| Cash and cash equivalents, at fair value, which approximates amortized cost  | 1,073,432             | 2,111,084            |
| Accrued investment income  | 198,503               | 201,928              |
| Reinsurance balances receivable  | 2,313,538             | 2,076,884            |
| Reinsurance recoverable on paid and unpaid losses  | 447,015               | 382,878              |
| Funds held by reinsured companies  | 814,950               | 937,032              |
| Deferred acquisition costs   | 602,275               | 595,557              |
| Deposit assets   | 235,470               | 256,702              |
| Net tax assets   | 38,532                | 14,960               |
| Goodwill   | 455,533               | 455,533              |
| Intangible assets  | 142,760               | 178,715              |
| Other assets   | 184,488               | 83,113               |
| <b>Total assets</b>  | <b>\$ 23,619,113</b>  | <b>\$ 23,364,371</b> |
| <b>Liabilities</b>   |                       |                      |
| Unpaid losses and loss expenses  | \$ 11,352,599         | \$ 10,666,604        |
| Policy benefits for life and annuity contracts   | 1,678,201             | 1,750,410            |
| Unearned premiums  | 1,787,351             | 1,599,139            |
| Other reinsurance balances payable   | 493,926               | 491,194              |
| Deposit liabilities  | 244,775               | 268,239              |
| Net tax liabilities  | 339,031               | 316,325              |
| Accounts payable, accrued expenses and other   | 194,558               | 244,552              |
| Debt related to senior notes   | 750,000               | 750,000              |
| Debt related to capital efficient notes  | 70,989                | 70,989               |
| <b>Total liabilities</b>   | <b>16,911,430</b>     | <b>16,157,452</b>    |
| <b>Shareholders Equity</b>   |                       |                      |
| Common shares (par value \$1.00; issued: 2011, 84,580,948 shares; 2010, 84,033,089 shares)   | 84,581                | 84,033               |
| Preferred shares (par value \$1.00; issued and outstanding: 2011, 35,750,000 shares; 2010, 20,800,000 shares; aggregate liquidation value: 2011, \$893,750; 2010, \$520,000) | 35,750                | 20,800               |
| Additional paid-in capital   | 3,796,410             | 3,419,864            |
| Accumulated other comprehensive (loss) income:   |                       |                      |
| Currency translation adjustment  | 5,227                 | 16,101               |
| Other accumulated comprehensive loss (net of tax of: 2011, \$5,483; 2010, \$4,872)   | (13,094)              | (12,045)             |
| Retained earnings  | 4,108,524             | 4,761,178            |

Edgar Filing: PARTNERRE LTD - Form 10-Q

|  |                      |               |
|--|----------------------|---------------|
| Common shares held in treasury, at cost (2011, 16,831,534 shares; 2010, 14,046,895 shares) | (1,309,715)          | (1,083,012)   |
| <b>Total shareholders equity</b>   | <b>6,707,683</b>     | 7,206,919     |
| <b>Total liabilities and shareholders equity</b>   | <b>\$ 23,619,113</b> | \$ 23,364,371 |

*See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.*

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

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

|  | For the three<br>months ended<br>September 30,<br>2011 | For the three<br>months ended<br>September 30,<br>2010 | For the nine<br>months ended<br>September 30,<br>2011 | For the nine<br>months ended<br>September 30,<br>2010 |
|--|--|--|---|---|
| <b>Revenues</b>  |  |  |   |   |
| Gross premiums written   | \$ 1,095,326   | \$ 1,008,464   | \$ 3,735,091  | \$ 4,057,965  |
| Net premiums written   | \$ 1,079,557   | \$ 987,612   | \$ 3,606,444  | \$ 3,884,511  |
| Decrease (increase) in unearned premiums   | 214,762  | 325,802  | (140,091)   | (312,687)   |
| Net premiums earned  | 1,294,319  | 1,313,414  | 3,466,353   | 3,571,824   |
| Net investment income  | 163,647  | 164,402  | 473,608   | 511,978   |
| Net realized and unrealized investment gains (losses)                              | 26,139   | 293,164  | (7,860)   | 484,683   |
| Other income   | 1,434  | 3,363  | 4,843   | 5,391   |
| <b>Total revenues</b>  | <b>1,485,539</b>                                       | <b>1,774,343</b>                                       | <b>3,936,944</b>                                      | <b>4,573,876</b>                                      |
| <b>Expenses</b>  |  |  |   |   |
| Losses and loss expenses and life policy benefits                                  | 881,626  | 748,879  | 3,303,366   | 2,465,847   |
| Acquisition costs  | 262,489  | 261,668  | 699,589   | 725,919   |
| Other operating expenses   | 103,822  | 118,221  | 321,813   | 406,506   |
| Interest expense   | 12,216   | 12,297   | 36,730  | 32,232  |
| Amortization of intangible assets  | 9,520  | 10,003   | 27,512  | 22,639  |
| Net foreign exchange (gains) losses  | (10,587)   | 27,074   | (20,020)  | 12,426  |
| <b>Total expenses</b>  | <b>1,259,086</b>                                       | <b>1,178,142</b>                                       | <b>4,368,990</b>                                      | <b>3,665,569</b>                                      |
| Income (loss) before taxes and interest in (losses) earnings of equity investments | 226,453  | 596,201  | (432,046)   | 908,307   |
| Income tax expense   | 41,803   | 72,576   | 65,632  | 117,892   |
| Interest in (losses) earnings of equity investments                                | (4,527)  | 1,312  | (4,970)   | 5,103   |
| <b>Net income (loss)</b>   | <b>180,123</b>   | <b>524,937</b>   | <b>(502,648)</b>                                      | <b>795,518</b>  |
| Preferred dividends  | 14,352   | 8,631  | 31,614  | 25,894  |
| <b>Net income (loss) available to common shareholders</b>                          | <b>\$ 165,771</b>                                      | <b>\$ 516,306</b>                                      | <b>\$ (534,262)</b>                                   | <b>\$ 769,624</b>                                     |
| <b>Comprehensive income (loss)</b>   |  |  |   |   |
| Net income (loss)  | \$ 180,123   | \$ 524,937   | \$ (502,648)  | \$ 795,518  |
| Change in currency translation adjustment  | (54,958)   | 107,572  | (10,874)  | (66,506)  |
| Change in other accumulated comprehensive income (loss), net of tax                | 1,106  | (1,260)  | (1,049)   | (6,514)   |
| <b>Comprehensive income (loss)</b>   | <b>\$ 126,271</b>                                      | <b>\$ 631,249</b>                                      | <b>\$ (514,571)</b>                                   | <b>\$ 722,498</b>                                     |

**Per share data**

Net income (loss) per common share: