PARTNERRE LTD
Form 20-F
March 14, 2018

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, 2017
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
90 Pitts Bay Road, Pembroke, HM 08, Bermuda Telephone: +1 441-292-0888, Email: 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

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

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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 255,492 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 ý

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 ý

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 ý 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 ý 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 ý

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

U.S. GAAP ý 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 ý

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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 2017, 2016, 2015, 2014 and 2013 (in millions of United States (U.S.) dollars) is as follows:

	For the years ended December 31,				
Statement of Operations Data	2017	2016	2015	2014	2013
Net premiums earned	$5,025	$4,970	$5,269	$5,609	$5,198
Net investment income	402	411	450	480	484
Net realized and unrealized investment gains (losses)	232	26	(297)	372	(161)
Other income	15	15	9	16	17
Total revenues	$5,675	$5,422	$5,431	$6,477	$5,538
Net income	$264	$447	$107	$1,068	$673
Net income attributable to PartnerRe Ltd. common shareholders	$218	$387	$47	$998	$597

	At December 31,				
Balance Sheet Data	2017	2016	2015	2014	2013
Total assets	$22,981	$21,939	$21,406	$22,270	$23,038
Total shareholders' equity attributable to PartnerRe Ltd.	$6,745	$6,688	$6,901	$7,049	$6,710
Common shareholders' equity[1]	$6,041	$5,984	$6,047	$6,195	$5,856

(1) Common shareholders' equity is calculated as Total shareholders' equity attributable to PartnerRe Ltd. 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, 2017 and 2016, EXOR Nederland N.V. holds 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 on the Consolidated Balance Sheet. Accordingly, per share data is no longer meaningful and is no longer presented by the Company.
In 2017, the Company issued Class B shares to certain executives of the Company (see also Share Ownership section in Item 6 and Note 15 to the Consolidated Financial Statements in Item 18 of this report).

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B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Introduction

Managing risk effectively is paramount to our success, and our organization is built around intelligent risk assumptions and careful risk management, as evidenced by our development of the Company's enterprise risk management framework, which provides an integrated approach to risk across the entire organization. We have identified what we believe reflects key significant risks to the organization, and, in turn, the common and preferred shareholders, debt holders, and our policyholders.

In order to achieve an appropriate growth in book value over the reinsurance cycle, we believe we must be able to generate an appropriate return on average common shareholder’s equity over the reinsurance cycle. Our ability to do that over a reinsurance cycle is dependent on our individual performance, but also on industry factors that impact the level of competition and the price of risk. The level of competition is determined by supply of and demand for reinsurance capacity. Demand is determined by client buying behavior, which varies based on the client’s perception of the amount and volatility of risk, its financial capacity to bear it and the cost of risk transfer. Supply is determined by the existing reinsurance companies’ level of financial strength and the introduction of capacity from new start-ups or capital markets. Significant new capacity or significant reduction in demand will depress industry profitability until the supply/demand balance is redressed. Extended periods of imbalance could depress industry profitability to a point where we would fail to meet returns in line with our cost of capital.

We knowingly expose ourselves to significant volatility in our net income. We create shareholder value by assuming risk from the insurance and capital markets. This exposes us to volatile earnings as untoward events happen to our clients and in the capital markets. Examples of potential large loss events include, without limitation:

- Natural catastrophes including but not limited to hurricanes, windstorms, floods, tornadoes, and earthquakes;
- Man-made disasters such as terrorism and acts of war;
- Declines in the equity, real estate and fixed income markets;
- Systemic increases in the frequency or severity of casualty or mortality losses; and
- New mass tort actions or reemergence of old mass tort actions such as cases related to asbestos.

We manage large loss events through evaluation processes designed to enable proper pricing of these risks over time, and, as a result, short-term earnings volatility may be experienced. Earnings volatility is dampened through diversification, by building a portfolio of uncorrelated risks and through the purchase of retrocessional coverage to optimize a portfolio.

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 (Board) and the related approved limits and actual limits deployed at December 31, 2017 and 2016 are presented in the Risk Management section below.

The following risks should be read in conjunction with the Safe Harbor Statement in Item 5.G of this report, Operating and Financial Review and Prospects and the Notes to the Consolidated Financial Statements in Item 18 of this report. These risks may affect our 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).

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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. Because catastrophe reinsurance accumulates large aggregate exposures to man-made and natural disasters, our loss experience in this line of business could be characterized as low frequency and high severity. We may 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. Although we may attempt to exclude losses from terrorism and certain other similar risks from some coverage we write, we may continue to have exposure to such unforeseen or unpredictable events. This may be because, 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 significant net losses to shareholders, and may also result in a material decline of our book value or common shareholder's equity 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.

We believe, and recent scientific studies have indicated, that the frequency of Atlantic basin hurricanes has increased and may change further in the future relative to the historical experience over the past 100 years. As a result of changing climate conditions, such as global warming, there may be increases in the frequency and severity of natural catastrophes and the losses that result from them. We monitor and adjust, as we believe appropriate, our risk management models to reflect our judgment of how to interpret current developments and information, such as these studies. We believe that factors including increases in the value and geographic concentration of insured property, particularly along coastal regions, the increasing risk of extreme weather events reflecting changes in climate and ocean temperatures, and the effects of inflation may continue to increase the severity of claims from catastrophic events in the future.

It is also difficult to predict the timing of such events with statistical certainty, 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 man-made or other 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.

Given the inherent uncertainty of models, the usefulness of such models as a tool to evaluate risk is subject to a high degree of uncertainty that could result in actual losses that are materially different than our estimates, including probable maximum losses (PMLs), and our financial results may be adversely impacted, perhaps significantly.

In addition to our own proprietary catastrophe models, we use third-party vendor analytic and modeling capabilities to provide us with objective risk assessment relating to other risks in our reinsurance portfolio. We use these models to help us control risk accumulation and inform management and other stakeholders of capital requirements and to improve the risk/return profile. However, given the inherent uncertainty of modeling techniques and the application of such techniques, these models and databases may not accurately address a variety of matters which might be deemed to impact certain of our coverages.

For example, catastrophe models that simulate loss estimates based on a set of assumptions are important tools used by us to estimate our PMLs. These assumptions address a number of factors that impact loss potential including, but not limited to, the characteristics of the natural catastrophe event; demand surge resulting from an event; the types, function, location and characteristics of exposed risks; susceptibility of exposed risks to damage from an event with specific characteristics; and the financial and contractual provisions of the reinsurance contracts that cover losses arising from an event. We run many model simulations in order to understand the impact of these assumptions on its catastrophe loss potential. Furthermore, there are risks associated with catastrophic events, which are either poorly

represented or not represented at all by catastrophe models. Each modeling assumption or un-modeled risk introduces uncertainty into PML estimates that management must consider. These uncertainties can include, but are not limited to, the following:

- The models do not address all the possible hazard characteristics of a catastrophe peril (e.g., the precise path and wind speed of a hurricane);
- The models may not accurately reflect the true frequency of events;
- The models may not accurately reflect a risk's vulnerability or susceptibility to damage for a given event characteristic;

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- The models may not accurately represent loss potential to reinsurance contract coverage limits, terms and conditions; and
- The models may not accurately reflect the impact on the economy of the area affected or the financial, judicial, political, or regulatory impact on insurance claim payments during or following a catastrophe event.

Our PMLs are selected after assessment of multiple third party vendor model output, internally constructed independent models, including the Company's CatFocus® suite of models, and other qualitative and quantitative assessments by management, including assessments of exposure not typically modeled in vendor or internal models. Our methodology for estimating PMLs may differ from methods used by other companies and external parties given the various assumptions and judgments required to estimate a PML.

As a result of these factors and contingencies, our reliance on assumptions and data used to evaluate our entire reinsurance portfolio, and specifically to estimate a PML, is subject to a high degree of uncertainty that could result in actual losses that are materially different from our PML estimates and, as a result, our financial results may be adversely impacted, perhaps significantly.

Our net income may be volatile because certain Life products expose us to reserve and fair value liability changes that are directly affected by market and other factors and assumptions.

The establishment of reserves for future policy benefits and the valuation of life insurance and annuity products in our Life and Health segment are based upon various assumptions, including but not limited to market changes, mortality rates, morbidity rates and policyholder behavior. The process of establishing reserves for future policy benefits relies on our ability to accurately estimate insured events that have not yet occurred but that are expected to occur in future periods. Significant deviations in actual experience from assumptions used for pricing and for reserves for future policy benefits could have an adverse effect on the profitability of our products and our business.

Under reinsurance programs covering variable annuity guarantees we assume the risk of guaranteed minimum death benefits (GMDB). Our net income is directly impacted by changes in the reserves calculated in connection with the reinsurance of GMDB liabilities. Reported liabilities for GMDB reinsurance are determined using internal valuation models. Such valuations require considerable judgment and are subject to significant uncertainty. The valuation of these products is subject to fluctuations arising from, among other factors, changes in interest rates, changes in equity markets, changes in credit markets, changes in the allocation of the investments underlying annuitant's account values, and assumptions regarding future policyholder behavior. Adverse changes in market factors and policyholder behavior will have an impact on both life underwriting income and net income. For further information see Business Overview—Reserves in Item 4 of this report.

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 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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Although we did not operate prior to 1993, we assumed certain asbestos and environmental exposures through our acquisitions. 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.

In addition, the reserves that we have established may be inadequate. If ultimate losses and loss expenses exceed the reserves currently established, we will be required to increase loss reserves in the period in which we identify the deficiency to cover any such claims. As a result, even when losses are identified and reserves are established for any line of business, ultimate losses and loss expenses may deviate, perhaps substantially, from estimates reflected in loss reserves in our financial statements. Variations between our loss reserve estimates and actual emergence of losses could be material and could have a material adverse effect on our results of operations and financial condition.

Since we rely on a few reinsurance brokers for a large percentage of our business, loss of business provided by these brokers could reduce our premium volume and net income.

We produce our business both through brokers and through direct relationships with insurance company clients. For the year ended December 31, 2017, more than 70% of our gross premiums written were produced through brokers. In 2017, we had two brokers that accounted for 47% of our gross premiums written. Because broker-produced business is concentrated with a small number of brokers, we are exposed to concentration risk. A significant reduction in the business produced by these brokers could potentially reduce our premium volume and net income.

We are exposed to credit risk relating to our reinsurance brokers and cedants.

In accordance with industry practice, we may pay amounts owed under our reinsurance policies to brokers, and they in turn pay these amounts to the ceding insurer. In some jurisdictions, if the broker fails to make such an onward payment, we might remain liable to the ceding insurer for the deficiency. Conversely, the ceding insurer may pay premiums to the broker, for onward payment to us in respect of reinsurance policies issued by us. In certain jurisdictions, these premiums are considered to have been paid to us at the time that payment is made to the broker, and the ceding insurer will no longer be liable to us for those amounts, whether or not we have actually received the premiums. We may not be able to collect all premiums receivable due from any particular broker at any given time.

We also assume credit risk by writing business on a funds-withheld basis. Under such arrangements, the cedant retains the premium they would otherwise pay to us to cover future loss payments.

If we are downgraded by rating agencies, our standing with brokers and customers could be negatively impacted and may adversely impact our results of operations.

Third-party rating agencies assess and rate the claims-paying ability and financial strength of insurers and reinsurers, such as the Company’s principal operating subsidiaries. These ratings are based upon criteria established by the rating agencies and have become an important factor in establishing our competitive position in the market. Insured, insurers, ceding insurers and intermediaries use these ratings as one measure by which to assess the financial strength and quality of insurers and reinsurers. These ratings are not an evaluation directed to investors of our preferred shares or debt securities, and are not a recommendation to buy, sell or hold our preferred shares or debt securities.

Our financial strength ratings are subject to periodic review as rating agencies evaluate us to confirm that we continue to meet their criteria for ratings assigned to us by them. Such ratings may be revised downward or revoked at the sole discretion of such ratings agencies in response to a variety of factors, including capital adequacy, management strategy, operating earnings and risk profile. In addition, from time to time, one or more rating agencies may effect

changes in their capital models and rating methodologies that could have a detrimental impact on our ratings. It is also possible that rating agencies may in the future heighten the level of scrutiny they apply when analyzing companies in our industry, may increase the frequency and scope of their reviews, may request additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in their models for maintenance of certain rating levels. We can offer no assurances that our ratings will remain at their current levels.

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If our ratings were downgraded, our competitive position in the reinsurance industry may suffer, and it could result in a reduction in demand for our products. In addition, certain business that we write contains terms that give the ceding company or derivative counterparty the right to terminate cover and/or require collateral if our ratings are downgraded.
See Liquidity and Capital Resources in Item 5 of this report for our current financial strength ratings. The status of any further changes to ratings or outlooks will depend on various factors.
We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.
Our future capital requirements depend on many factors, including regulatory requirements, our ability to write new business successfully, the frequency and severity of catastrophic events, and our ability to establish premium rates and reserves at levels sufficient to cover losses. We may need to raise additional funds through financings or curtail our growth and reduce our assets. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. Financings could result in the issuance of securities that have rights, preferences and privileges that are senior to those of our other securities. Disruption in the financial markets may limit our ability to access capital required to operate our business and we may be forced to delay raising capital or bear a higher cost of capital, which could decrease our profitability and significantly reduce our financial flexibility. In addition, if we experience a credit rating downgrade, withdrawal or negative watch/outlook in the future, we could incur higher borrowing costs and may have more limited means to access capital. If we cannot obtain adequate capital on favorable terms or at all, our business, operating results and financial condition could be adversely affected. In such a severe event, the Company may be reliant on the parent company, EXOR N.V., to provide a further capital injection or contribution to the Company. However, all EXOR Group portfolio companies are managed independently and autonomously, and there can be no guarantee that EXOR will provide any additional capital.
The exposure of our investments to interest rate, credit, equity and real estate related risks may limit our net income and may affect the adequacy of our capital.
We invest the net premiums we receive unless, or until such time as, we pay out losses and/or until they are made available for distribution to common and preferred shareholders, to pay interest on or redemption of debt and preferred shares, or otherwise used for general corporate purposes. Investment results comprise a substantial portion of our income. For the year ended December 31, 2017, we had net investment income of $402 million, which represented approximately 7% of total revenues. In addition, we recorded net realized and unrealized gains on investments of $232 million during 2017, which are recognized in net income. While the Board has implemented what it believes to be prudent risk management and investment asset allocation practices, we are exposed to significant financial and capital market risks, including changes in interest rates, credit spreads, equity and real estate prices, foreign exchange rates, market volatility, the performance of the economy in general, and other factors outside our control.
Interest rates are highly sensitive to many factors, including fiscal and monetary policies of major economies, inflation, economic and political conditions and other factors outside our control. Changes in interest rates can negatively affect us in two ways. In a declining interest rate environment, we will be required to invest our funds at lower rates, which would have a negative impact on investment income. We may be forced to liquidate investments prior to maturity at a loss in order to cover liabilities. In a rising interest rate environment, the market value of our fixed income portfolio will decline.
Our fixed maturity portfolio is primarily invested in high quality, investment grade securities. However, we invest a portion of the portfolio in securities that are below investment grade. We also invest a portion of our portfolio in other investments such as fixed income type mutual funds, notes receivable, loans receivable, private placement bond investments, derivative exposure assumed and other specialty asset classes. These securities generally pay a higher rate of interest and have a higher degree of credit or default risk. These securities may also be less liquid in times of economic weakness or market disruptions.
We also invest a portion of our portfolio in preferred and common stocks or equity-like securities. The value of these assets fluctuates with equity markets. In times of economic weakness, the market value and liquidity of these assets may decline, and may impact net income and capital. We use the term equity-like investments to describe our investments that have market risk characteristics similar to equities and are not investment grade fixed maturity

securities. This category includes high-yield and convertible fixed maturity investments and private placement equity investments. Fluctuations in the fair value of our equity-like investments may reduce our income in any period or year and cause a reduction in our capital. Our equity risk has increased during 2017 due to an increase in investments in equities from $39 million at December 31, 2016 to $639 million at December 31, 2017. As global equity markets are at historically high levels, there can be no assurance that our equity-like investments will maintain their current levels. In addition, we invest directly and indirectly in real estate assets, which are subject to overall market conditions. In addition to investments in real estate investment trusts, real estate limited partnerships and an investment in a privately held real estate investment and development group, Almacantar Group S.A.(Almacantar), the Company during 2017 also invested directly in residential real estate (see Item 4.D and Note 19 to the Consolidated Financial Statements). These real estate assets are exposed to

various risks, including the supply and demand of leasable commercial and residential space and fluctuations in real estate prices globally.

Foreign currency fluctuations may reduce our net income and our capital levels.

Through our multinational reinsurance operations, we conduct business in a variety of foreign (non-U.S.) currencies, the principal exposures being the Euro, British pound, Canadian dollar and Swiss Franc. Assets and liabilities denominated in foreign currencies are exposed to changes in currency exchange rates, which may be material. Our reporting currency is the U.S. dollar, and exchange rate fluctuations relative to the U.S. dollar may materially impact our results and financial position. We employ various strategies (including hedging) to manage our exposure to foreign currency exchange risk. To the extent that these exposures are not fully hedged or the hedges are ineffective, our results or shareholders' equity may be reduced by fluctuations in foreign currency exchange rates.

We may suffer losses due to defaults by others, including issuers of investment securities, reinsurance and derivative counterparties.

Issuers or borrowers whose securities we hold, reinsurers, clearing agents, clearing houses, joint venture partners, derivative instrument counterparties and other financial intermediaries may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Even if we are entitled to collateral when a counterparty defaults, such collateral may be illiquid or proceeds from such collateral when liquidated may not be sufficient to recover the full amount of the obligation. All or any of these types of default could have a material adverse effect on our results of operations, financial condition and liquidity.

Our debt, credit and International Swap Dealers Association (ISDA) agreements may limit our financial and operational flexibility, which may affect our ability to conduct our business.

We have incurred indebtedness, and may incur additional indebtedness in the future. Additionally, we have entered into credit facilities and ISDA agreements with various institutions. Under these credit facilities, the institutions provide revolving lines of credit to us and our major operating subsidiaries and issue letters of credit to our clients in the ordinary course of business.

The agreements relating to our debt, credit facilities and ISDA agreements contain various covenants that may limit our ability, among other things, to borrow money, make particular types of investments or other restricted payments, sell assets, merge or consolidate. Some of these agreements also require us to maintain specified ratings and financial ratios, including a minimum net worth covenant. If we fail to comply with these covenants or meet required financial ratios, the lenders or counterparties under these agreements could declare a default and demand immediate repayment of all amounts owed to them. See Liquidity and Capital Resources—Shareholders' Equity and Capital Resources Management—Credit Agreements in Item 5 of this report.

If we are in default under the terms of these agreements, then we would also be restricted in our ability to declare or pay any dividends, redeem, purchase or acquire any shares or make a liquidation payment.

If any one of the financial institutions that we use in our operations, including those that participate in our credit facilities, fails or is otherwise unable to meet their commitments, we could incur substantial losses and reduced liquidity.

We maintain cash balances significantly in excess of the U.S. Federal Deposit Insurance Corporation insurance limits at various depository institutions. We also have funding commitments from a number of banks and financial institutions that participate in our credit facilities. See Liquidity and Capital Resources—Shareholders' Equity and Capital Resources Management—Credit Agreements in Item 5 of this report. Access to funds under these existing credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding requirements. Those banks may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time, and we might be forced to replace credit sources in a difficult market. If we cannot obtain adequate financing or sources of credit on favorable terms, or at all, our business, operating results and financial condition could be adversely impacted.

Strategic investments and merger and acquisition (M&A) activities could disrupt the Company's ongoing business and present risks not originally contemplated.

The Company has made, and in the future may make, strategic investments or acquisitions. For example, on April 3, 2017, the Company completed the acquisition of Aurigen Capital Limited (Aurigen), a North American life

reinsurance company. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital and unidentified issues not discovered in the Company's due diligence. In addition, the integration of any acquired companies may place significant demands on our management, systems, internal controls and financial and physical resources. These new ventures or M&A activities are inherently risky and may not be successful.

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Operational risks, including human or systems failures, are inherent in our business.
Operational risks and losses can result from many sources including fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements or information technology failures.
We believe our modeling, underwriting and information technology and application systems are critical to our business and reputation. Moreover, our technology and applications have been an important part of our underwriting process and our ability to compete successfully. Such technology is and will continue to be a very important part of our underwriting process. We have also licensed certain systems and data from third parties. We cannot be certain that we will have access to these, or comparable service providers, or that our technology or applications will continue to operate as intended. In addition, we cannot be certain that we would be able to replace these service providers or consultants without slowing our underwriting response time. A major defect or failure in our internal controls or information technology and application systems could result in management distraction, harm to our reputation, a loss or delay of revenues or increased expense.
Cybersecurity events could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations.
We are dependent upon the effective functioning and availability of our information technology and application systems platforms. These platforms include, but are not limited to, our proprietary software programs such as catastrophe models as well as those licensed from third-party vendors including data storage, analytic and modeling systems. We rely on the security of such platforms for the secure processing, storage and transmission of confidential information. Examples of cybersecurity incidents are unauthorized access, computer viruses, deceptive communications (phishing), malware or other malicious code or cyber attack, destructive attack, system failures and disruptions and other events that could have security consequences (each, a Cybersecurity Incident). A Cybersecurity Incident could materially impact our ability to adequately price products and services, establish reserves, provide efficient and secure services to our clients, brokers, vendors and regulators, value our investments and to timely and accurately report our financial results. Although we have implemented controls and have taken protective measures to reduce the risk of Cybersecurity Incidents, we cannot reasonably anticipate or prevent all Cybersecurity Incidents. Cybersecurity Incidents could expose us to a risk of loss or misuse of our information, litigation, reputational damage, violations of applicable privacy and other laws, fines, penalties or losses that are either not insured against or not fully covered by insurance maintained. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities.
The loss of key management personnel could adversely affect us.
Our success has depended, and will continue to depend, partly upon our ability to attract and retain management personnel. If any of these key management employees ceased to continue in their present role, we could be adversely affected.
We believe there are only a limited number of available qualified executives in the business lines in which we compete. Our ability to execute our business strategy is dependent on our ability to attract and retain a staff of qualified executive officers, underwriters, actuaries and other key personnel. The skills, experience and knowledge of the reinsurance industry of our management team constitute important competitive strengths. If some or all of these managers leave their positions, and even if we were able to find persons with suitable skills to replace them, our operations could be adversely affected.
We may be adversely impacted by inflation.
Deficit spending by governments in the Company’s major markets and monetary stimulus provided by central banks exposes the Company to a heightened risk of inflation. We monitor the risk that the principal markets in which we operate could experience increased inflationary conditions, which would, among other things, cause policyholder loss costs to increase, and negatively impact the performance of our investment portfolio. Inflation related to medical costs, construction costs and tort issues in particular impact the property and casualty industry, and broader market inflation has the potential risk of increasing overall loss costs. The impact of inflation on loss costs could be more pronounced for those lines of business that are considered to be long-tail in nature, as they require a relatively long period of time to finalize and settle claims. 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. The onset, duration and severity of an inflationary period cannot be estimated with precision.

Risks Related to Our Industry

Our profitability is affected by the cyclical nature of the reinsurance industry.

Historically, the reinsurance industry has experienced significant fluctuations in operating results due to competition, levels of available capacity, trends in cash flows and losses, general economic conditions and other factors, particularly in the Non-life lines of business. Demand for reinsurance is influenced significantly by underwriting results of primary insurers, including catastrophe losses, and prevailing general economic conditions. The supply of reinsurance is related directly to prevailing prices and levels of

capacity that, in turn, may fluctuate in response to changes in rates of return on investments being realized in the reinsurance industry. If any of these factors were to result in a decline in the demand for reinsurance or an overall increase in reinsurance capacity, our profitability could be impacted. In recent years, we have experienced a generally softening market cycle, with increased competition, surplus underwriting capacity, deteriorating rates and less favorable terms and conditions all having an impact on our ability to write business.

Currently, the Company is experiencing improving market conditions with increased pricing in most Non-life classes, primarily in those markets that have been exposed to the catastrophe losses in 2017. As a result of the persisting competition and excess capacity in the industry, it is not possible to forecast if improving pricing conditions will continue in the future.

In spite of the current positive trends in the markets, competition, pricing pressure and any other negative factors noted above may adversely affect our profitability and results of operations in future periods, and the impact may be material.

We operate in a highly competitive environment.

The reinsurance industry is highly competitive and we compete with a number of worldwide reinsurance companies, including, Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft (Munich Re), Swiss Re Ltd. (Swiss Re), Hannover Rück SE (Hannover Re), SCOR SE, Transatlantic Reinsurance Company Inc. (Transatlantic), General Reinsurance Corporation (GenRe), Reinsurance Group of America, Incorporated (RGA), Everest Re Group, Ltd. (Everest Re), RenaissanceRe Holdings Ltd. (RenRe) and Validus Holdings, Ltd. (Validus).

The lack of strong barriers to entry into the reinsurance business means that we may also compete with new companies that may be formed to enter the reinsurance market. In addition, we may experience increased competition as a result of the consolidation in the insurance and reinsurance industry. These consolidated entities may try to use their enhanced market power and relationships to negotiate price reductions for our products and services and/or obtain a larger market share through increased line sizes. Consolidated companies may also purchase less reinsurance product and services, due to increased levels of capital.

Competition in the types of reinsurance that we underwrite is based on many factors, including the perceived and relative financial strength, pricing and other terms and conditions, services provided, ratings assigned by independent rating agencies, speed of claims payment, geographic scope of business, client and broker relationships, reputation and experience in the lines of business to be written. If competitive pressures reduce our prices, we would expect to write less business. In addition, competition for customers would become more intense and we could incur additional expenses relating to customer acquisition and retention, further reducing our operating margins.

Further, insurance-linked securities, derivatives and other non-traditional risk transfer mechanisms and alternative vehicles are being developed and offered by other parties, which could impact the demand for traditional insurance or reinsurance. A number of new, proposed or potential industry or legislative developments could further increase competition in our industry. New competition from these developments could cause the demand for reinsurance and/or prices to fall or the expense of customer acquisition and retention to increase, either of which could have a material adverse effect on our growth and profitability.

All of the above factors may adversely affect our profitability and results of operations in future periods, the impact of which may be material, and may adversely affect our ability to successfully execute our strategy as a global diversified reinsurance company.

Legal and Regulatory Risks

Political, regulatory, governmental and industry initiatives could adversely affect our business.

Our reinsurance operations are subject to extensive laws and regulations that are administered and enforced by a number of different governmental and non-governmental self-regulatory authorities and associations in each of their respective jurisdictions and internationally. Our businesses in each jurisdiction are subject to varying degrees of regulation and supervision. The laws and regulations of the jurisdictions in which our reinsurance subsidiaries are domiciled require, among other things, maintenance of minimum levels of statutory capital, surplus, and liquidity; various solvency standards; and periodic examinations of subsidiaries' financial condition. In some jurisdictions, laws and regulations also restrict payments of dividends and reductions of capital. Applicable statutes, regulations, and policies may also restrict the ability of these subsidiaries to write insurance and reinsurance policies, to make certain

investments, and to distribute funds.
Some of these authorities regularly consider enhanced or new regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory authority in new and more robust ways, and new regulators could become authorized to oversee parts of our business.
It is not possible to predict all future impacts of these types of changes but they could affect the way we conduct our business and manage our capital, and may require us to satisfy increased capital requirements, any of which, in turn, could affect our results

of operations, financial condition and liquidity. Our material subsidiaries' regulatory environments are described in detail in Business Overview—Regulation in Item 4 of this report. For example, our regulated reinsurance subsidiaries across the European Union (EU) are subject to the Directive 2009/138/EC (EU directive) of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). Bermuda's commercial reinsurance regime that our regulated Bermuda reinsurance subsidiaries operates within has achieved Solvency II equivalence with the EU directive. Solvency II covers capital adequacy, risk management and regulatory reporting for insurers, and came into effect on January 1, 2016. We may not be able to comply fully with, or obtain appropriate exemptions from, such requirements or similar regulations, in their current form or as they may be amended in the future, which may have a material adverse effect on our business. We are also currently, and may in the future be, subject to regulatory investigation (see Regulation in Item 5.B of this report). If our compliance with Solvency II or any other regulatory regime is challenged, we may be subject to monetary or other penalties. In addition, in order to ensure compliance with applicable regulatory requirements or as a result of any investigation, including remediation efforts, we could be required to incur significant expenses and undertake additional work, which in turn may divert resources from our business. These, and other regulations relating to each of our material subsidiaries may in effect restrict each of those subsidiaries' ability to write new business, to make certain investments and to distribute funds or assets to us.

Recent government intervention and the possibility of future government intervention have created uncertainty in the insurance and reinsurance markets. Government regulators are generally concerned with the protection of policyholders to the exclusion of other interested parties, including shareholders and debt holders of reinsurers. We believe it is likely there will continue to be increased regulation of, and other forms of government participation in, our industry in the future, which could adversely affect our business by, among other things:

- Providing reinsurance capacity in markets and to clients that we target or requiring our participation in industry pools and guaranty associations;
- Further restricting our operational or capital flexibility;
- Expanding the scope of coverage under existing policies;
- Regulating the terms of reinsurance policies;
- Adopting further or changing compliance requirements which may result in additional costs which may adversely impact our results of operation; or
- Disproportionately benefiting the companies domiciled in one country over those domiciled in another.

Legislative and regulatory activity in healthcare may affect our profitability as a provider of accident and health reinsurance benefit products.

We derive revenues from the provision of accident and health premiums in the U.S., by providing reinsurance to institutions that participate in the U.S. healthcare delivery infrastructure. The Patient Protection and Affordable Care Act of 2010 (the Healthcare Act) made significant changes to the regulation of health insurance and may negatively affect our healthcare liability reinsurance business including, but not limited to, the healthcare delivery system and the healthcare cost reimbursement structure in the U.S. In addition, the Company may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorized under the Healthcare Act. It is difficult to predict the effect that the Healthcare Act, any regulatory pronouncement made thereunder or changes to the Healthcare Act, will have on its results of operations or financial condition. In addition, it is not possible to predict whether new legislation, rules or regulatory changes will be adopted or enacted in the future or what impact, if any, such legislation, rules or changes could have on our business, financial condition or results of operations.

Legal and enforcement activities relating to the insurance industry could affect our business and our industry.

The insurance industry has experienced substantial volatility as a result of litigation, investigations and regulatory activity by various insurance, governmental and enforcement authorities concerning certain practices within the insurance industry.

These investigations have resulted in changes in the insurance and reinsurance markets and industry business practices. While at this time, none of these changes have caused an adverse effect on our business, we are unable to predict the potential effects, if any, that future investigations may have upon our industry. As noted above, because we frequently assume the credit risk of the counterparties with whom we do business throughout our insurance and

reinsurance operations, our results of operations could be adversely affected if the credit quality of these counterparties is severely impacted by investigations in the reinsurance or insurance industry or by changes to industry practices.

Emerging claim and coverage issues could adversely affect our business.

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Unanticipated developments in the law, as well as changes in social and environmental conditions could potentially result in unexpected claims for coverage under our reinsurance and other contracts. These developments and changes may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. With respect to our casualty businesses, these legal, social and environmental changes may not become apparent until sometime after their occurrence. Our exposure to these uncertainties could be exacerbated by an increase in insurance and reinsurance contract disputes, arbitration and litigation.

The full effects of these and other unforeseen emerging claim and coverage issues are extremely hard to predict. As a result, the full extent of our liability under our coverages, and in particular, our casualty reinsurance contracts, may not be known for many years after a contract is issued.

The reinsurance industry is also affected by political, judicial and legal developments that may create new and expanded theories of liability, which may result in unexpected claim frequency and severity and delays or cancellations of products and services we provide, which could adversely affect our business.

Our international business is subject to applicable laws and regulations relating to sanctions, foreign corrupt practices and money laundering, the violation of which could adversely affect our operations.

Our activities are subject to applicable economic and trade sanctions, anti-bribery and money laundering laws and regulations in the jurisdictions where we operate including the U.S. and the European Union (EU), among others. Compliance with these regulations may impose significant costs, limit or restrict our ability to do business or engage in certain activities, or subject us to the possibility of civil or criminal actions or proceedings. Although we have policies and controls in place designed to comply with applicable laws and regulations, it is possible that we, or an employee or agent acting on our behalf could fail to comply with applicable laws and regulations as interpreted by the relevant authorities and, given the complex nature of the risks, it may not always be possible for us to attain compliance with such laws and regulations. The implementation of the Joint Comprehensive Plan of Action, and the resulting divergence of regulatory requirements between U.S. and EU entities and persons regarding business with Iran, has increased these risks. Failure to accurately interpret or comply with or obtain appropriate authorizations and/or exemptions under such laws or regulations could expose us to civil penalties, criminal penalties and other sanctions, including fines or other punitive actions. In addition, such violations could damage our business and/or our reputation. Such criminal or civil sanctions, penalties, other sanctions, and damage to our business and/or reputation could have a material adverse effect on our financial condition and results of operations.

Our international business is subject to applicable laws and regulations relating to data privacy and protection and cybersecurity, the changes or the violation of which could affect our operations.

Regulatory authorities around the world have implemented or are considering a number of legislative changes or regulations concerning data protection and cybersecurity. Existing cybersecurity regulations vary by region or country in which PartnerRe operates and cover different aspects of business operations. U.S. regulation provide a basis for operations while the EU has created a more tailored regulation for businesses operating specifically within the EU. The General Data Protection Regulation, which regulates data protection for all individuals within the EU, including foreign companies processing data of EU residents, becomes effective in May 2018. The regulation enhances individuals' rights, introduces complex and far-reaching company obligations and increases penalties significantly in case of violation. The interpretation and application of data protection laws in the U.S., Europe and elsewhere are developing and are often uncertain and in flux. It is possible that these laws or cybersecurity regulations may be interpreted and applied in a manner that is inconsistent with our data protection or security practices. If so, in addition to the possibility of fines, this will result in an order requiring that we change our data practices, which could have an adverse effect on our business and results of operations. Complying with these various laws will cause us to incur substantial costs and require us to change our business practices.

As a group operating worldwide, we strive to comply with all applicable data protection laws and regulations. It is however possible that we fail to comply with applicable laws and regulations. The failure or perceived failure to comply may result in inquiries and other proceedings or actions against us by government entities or others, or could cause us to lose clients which could potentially have an adverse effect on our business.

Changes in current accounting practices and future pronouncements may materially impact our reported financial results.

Developments in accounting practices may require considerable additional time and cost to comply, particularly if we are required to prepare information relating to prior periods for comparative purposes or to apply the new requirements retroactively. The impact of changes in current accounting practices and future pronouncements may be significant. The impact may affect the results of our operations, including among other things, the calculation of net income, and may affect our financial position, including among other things, the calculation of unpaid losses and loss expenses, policy benefits for life and annuity contracts and total shareholders' equity.

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We are subject to cybersecurity risks and may incur increasing costs in an effort to manage those risks.

The cybersecurity regulatory environment is evolving, and the related costs and resources required for complying with new or developing regulatory requirements will increase. For example, in February 2017, the NYDFS issued final Cybersecurity Requirements for Financial Service Companies that will require regulated entities to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York's financial services industry. Among the requirements are the maintenance of a cybersecurity program with governance controls, risk-based minimum data security standards for technology systems, cyber breach preparedness and response requirements, including reporting obligations, vendor oversight, training, and program record keeping and certification obligations. The regulation became effective on March 1, 2017, subject to certain phase-in periods. Depending on the regulation's implementation and the NYDFS enforcement efforts with respect to it, Partner Reinsurance Company of the U.S. (PartnerRe U.S). We may be required to incur significant expense in order to meet its requirements. We also operate in a number of jurisdictions with strict data privacy and other related laws, which could be violated in the event of a significant cybersecurity incident, or by our personnel. Failure to comply with these obligations can give rise to monetary fines and other penalties, which could be significant.

Risks Related to Our Preferred Shares

PartnerRe Ltd. is a holding company, and if our subsidiaries do not pay dividends or make other distributions to us, we may not be able to pay dividends on our preferred shares or settle principal payments as they become due.

PartnerRe Ltd. is a holding company with no operations to generate income to provide liquidity other than the cash received for issuance of common shares and preferred shares. We have cash outflows in the form of other expenses and dividends to both common and preferred shareholders. We rely primarily on cash dividends and payments from our subsidiaries to meet our cash outflows. We expect future dividends and other permitted payments from our subsidiaries to be the principal source of funds to pay expenses and dividends. The ability of our subsidiaries to pay dividends or to advance or repay funds to us is subject to general economic, financial, competitive, regulatory and other factors beyond our control. In particular, the payment of dividends by our reinsurance subsidiaries is limited under Bermuda and Irish laws and certain statutes of various U.S. states in which our U.S. subsidiaries are licensed to transact business and include minimum solvency and liquidity thresholds. In 2016, EXOR S.p.A. (subsequently renamed EXOR N.V.) and the Company agreed, as part of the terms of the preferred share exchange (see Note 11 to the Consolidated Financial Statements in Item 18 of this report), that the payment of dividends on common shares be restricted to an amount not exceeding 67% of net income per fiscal quarter until December 31, 2020. In addition, as a condition of the acquisition by Exor N.V. (subsequently renamed EXOR Nederland N.V.), PartnerRe U.S. and PartnerRe America Insurance Company committed that it would not take any action to pay any dividend for the two-year period from March 18, 2016 to March 18, 2018 without the prior approval of the New York State Department of Financial Services and the Delaware Commissioner of Insurance, respectively. At December 31, 2017, there were no other restrictions on the Company's ability to pay common and preferred shareholders' dividends from its retained earnings, except for certain regulatory and statutory restrictions on dividend payments applicable to our reinsurance subsidiaries (see Note 13 to the Consolidated Financial Statements in Item 18 of this report for a description of these restrictions). Because we are a holding company, our right, and hence the right of our creditors and shareholders, to participate in any distribution of assets by any of our subsidiaries, upon our liquidation or reorganization or otherwise, is subject to the prior claims of policyholders and creditors of these subsidiaries.

Our controlling shareholder owns a significant majority of our common shares, and its interest may differ from the interests of our preferred shareholders.

EXOR Nederland N.V. owns 100% of the outstanding Class A shares of the Company. As a result, EXOR Nederland N.V. has power to elect our directors and to determine the outcome of any action requiring shareholder approval. EXOR's interests may differ from the interests of the holders of our preferred shares and, given EXOR Nederland N.V.'s majority controlling interest in the Company, circumstances may arise under which EXOR Nederland N.V. may exercise its control in a manner that is not favorable to the interests of the holders of the preferred shares.

Preferred shareholders may encounter difficulties in service of process and enforcement of judgments against us in the United States.

We are a Bermuda company and some of our directors and officers are residents of various jurisdictions outside the U.S. All, or a substantial portion, of the assets of our officers and directors and of our assets are or may be located in jurisdictions outside the U.S. Although we have appointed an agent and irrevocably agreed that the agent may be served with process in New York with respect to actions against us arising out of violations of the U.S. Federal securities laws in any Federal or state court in the U.S., it could be difficult for investors to effect service of process within the U.S. on our directors and officers who reside outside the U.S. It could also be difficult for investors to enforce against us or our directors and officers judgments of a U.S. court predicated upon civil liability provisions of U.S. Federal securities laws.

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There is no treaty in force between the U.S. and Bermuda providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. As a result, whether a U.S. judgment would be enforceable in Bermuda against us or our directors and officers depends on whether the U.S. court that entered the judgment is recognized by the Bermuda court as having jurisdiction over us or our directors and officers, as determined by reference to Bermuda conflict of law rules. A judgment debt from a U.S. court that is final and for a sum certain based on U.S. Federal securities laws will not be enforceable in Bermuda unless the judgment debtor had submitted to the jurisdiction of the U.S. court, and the issue of submission and jurisdiction is a matter of Bermuda law and not U.S. law.

In addition to and irrespective of jurisdictional issues, Bermuda courts will not enforce a U.S. Federal securities law that is either penal or contrary to public policy. An action brought pursuant to a public or penal law, the purpose of which is the enforcement of a sanction, power or right at the instance of the state in its sovereign capacity will not be entered by a Bermuda court. Certain remedies available under the laws of U.S. jurisdictions, including certain remedies under U.S. Federal securities laws, would not be available under Bermuda law or enforceable in Bermuda court, as they would be contrary to Bermuda public policy. Further, no claim can be brought in Bermuda against us or our directors and officers in the first instance for violation of U.S. Federal securities laws because these laws have no extra jurisdictional effect under Bermuda law and do not have force of law in Bermuda. A Bermuda court may, however, impose civil liability on us or our directors and officers if the facts alleged in a complaint constitute or give rise to a cause of action under Bermuda law.

Taxation Risks

Changes in our effective income tax rate could affect our results of operations.

Our effective income tax rate could be adversely affected in the future by net income being lower than anticipated in jurisdictions where we have a relatively lower statutory tax rate and net income being higher than anticipated in jurisdictions where we have a relatively higher statutory tax rate, or by changes in corporate tax rates and tax regulations in any of the jurisdictions in which we operate. We are subject to regular audit by tax authorities in the various jurisdictions in which we operate. Any adverse outcome of such an audit could have an adverse effect on our net income, effective income tax rate and financial condition.

In addition, the determination of our provisions for income taxes requires significant judgment, and the ultimate tax determination related to some tax positions taken is uncertain. Although we believe our provisions are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our net income and effective income tax rate in the period such determination is made.

The U.S. Tax Cuts and Jobs Act could materially and negatively impact our business, financial condition and results of operations.

The U.S. Tax Cuts and Jobs Act (the “TCJA”) was signed into law on December 22, 2017. In addition to reducing the U.S. corporate income tax rate from 35 percent to 21 percent, the TCJA fundamentally changed many elements of U.S. tax law and introduced several new concepts to tax multinational corporations such as us. Among the most notable new rules are the Base Erosion and Anti-Abuse Tax (commonly called BEAT), which for insurance groups potentially expands U.S. taxation on the earnings of foreign subsidiaries. It is possible that future interpretation, enforcement actions or regulatory changes by the Internal Revenue Service could increase the impact of the TCJA beyond current assessments.

If our non-U.S. operations become subject to U.S. income taxation, our net income will decrease.

We believe that we and our non-U.S. subsidiaries, other than certain business sourced by Partner Reinsurance Europe SE (PartnerRe Europe) and PartnerRe Ireland dac (PartnerRe Ireland) through the U.S., have operated, and will continue to operate, our respective businesses in a manner that will not cause us to be viewed as engaged in a trade or business in the U.S. and, on this basis, we do not expect that either we or our non-U.S. subsidiaries will be required to pay U.S. corporate income taxes (other than potential withholding taxes on certain types of U.S. source passive income) or branch profits taxes. Because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the U.S., the IRS may contend that either we or our non-U.S. subsidiaries are engaged in a trade or business in the U.S. In addition, legislation regarding the scope of non-U.S. entities and

operations subject to U.S. income tax has been proposed in the past, and may be proposed again in the future. If either we or our non-U.S. subsidiaries are subject to U.S. income tax, our net income and shareholders' equity will be reduced by the amount of such taxes, which might be material.

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The Organisation for Economic Co-operation and Development's (OECD) initiative to limit harmful tax competition may result in higher taxation and increased complexity, burden and cost of compliance.

The OECD has published reports and launched a global initiative among member and non-member countries on measures to limit harmful tax competition, known as the Base Erosion and Profit Shifting (BEPS) project. On June 21, 2016, the EU's ministers of Finance and Economic Affairs unanimously approved the Anti-Tax Avoidance Directive to harmonize potential BEPS changes in the EU. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. We expect that countries may change their tax laws in response to this project, and several countries have already changed or proposed changes to their tax laws. Changes to tax laws and additional reporting requirements could increase the complexity, burden and cost of doing business with our Bermuda companies and/or subject our Bermuda companies to increased tax and compliance burdens.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof.

We could be adversely impacted by changes in tax laws (including the TCJA), tax treaties or tax regulations or the interpretation or enforcement thereof by taxation authorities. Changes could have a material and adverse change in our worldwide effective tax rate and we may have to take further action to seek to mitigate the effect of such changes. Any future amendments to existing income tax treaties between the jurisdictions in which we operate, could subject us to increased taxation and/or potentially significant expense.

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

PartnerRe Ltd., an exempt company incorporated under the laws of Bermuda with limited liability, is the holding company for our international reinsurance group (PartnerRe group) and was incorporated in Bermuda in August 1993. The principal office is located at 90 Pitt's Bay Road, Pembroke, Bermuda (telephone number: +1 441-292-0888). The Company predominantly provides reinsurance on a worldwide basis through its principal wholly-owned subsidiaries, including Partner Reinsurance Company Ltd. (PartnerRe Bermuda), Partner Reinsurance Europe SE (PartnerRe Europe), Partner Reinsurance Company of the U.S. (PartnerRe U.S.) and, effective April 1, 2015, Partner Reinsurance Asia Pte. Ltd. (PartnerRe Asia). The Company's principal office in the U.S. is located at 200 First Stamford Place, Stamford, Connecticut (telephone number: +1 203 485 4200).

The Company completed the acquisition of Societe Anonyme Francaise de Reassurances (SAFR, subsequently renamed PartnerRe SA) in 1997, the acquisition of Winterthur Re in 1998, the acquisition of PARIS RE Holdings Limited (Paris Re) in 2009 and the acquisition of Presidio Reinsurance Group, Inc. (Presidio) in 2012. In addition, the Company completed the acquisition of Aurigen Capital Limited (Aurigen) on April 3, 2017, after receiving all necessary regulatory approvals, by purchasing 100% of the outstanding ordinary shares for CAD 370 million (or approximately $278 million). Aurigen is a North American life reinsurance company and this acquisition enables the Company to expand its life reinsurance footprint in Canada and the U.S. with limited overlap in market coverage.

On March 18, 2016, following receipt of regulatory approvals, the Company's publicly held common shares were acquired by Exor N.V., a subsidiary of EXOR S.p.A., one of Europe's leading investment companies controlled by the Agnelli family. In October 2016, Exor N.V. changed its name to EXOR Nederland N.V. In December 2016, EXOR S.p.A. merged with and into EXOR HOLDING N.V., a newly formed entity organized in the Netherlands and, in conjunction with the merger, EXOR HOLDING N.V. changed its name to EXOR N.V. EXOR N.V. is listed on the Milan Stock Exchange. As a result of the acquisition, PartnerRe's publicly issued common shares were cancelled and are no longer traded on the NYSE. The Company's preferred shares continue to be traded on the NYSE.

At December 31, 2017 and 2016, the Company's Class A shares included in Shareholders' Equity on the Consolidated Balance Sheets are owned by EXOR Nederland N.V.

B. Business Overview

The Company provides reinsurance for its clients in approximately 190 countries around the world. The Company's principal offices are located in Hamilton (Bermuda), Dublin, Stamford (Connecticut, U.S.), Toronto, Paris, Singapore and Zurich.

The Company provides reinsurance of risks to ceding companies (cedants or reinsureds). Risks reinsured include, but are not limited to, agriculture, aviation/space, casualty, catastrophe, energy, engineering, financial risks, marine, motor, multiline and property as well as mortality, longevity, accident and health and alternative risk products. The Company's alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis.

Reinsurance is offered on either a proportional or non-proportional basis through treaties or facultative reinsurance:

- 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.
- 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.

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The Company monitors the performance of its operations in three worldwide business units comprised of Property & Casualty (P&C), Specialty and Life and Health, which represent its segments. The P&C segment is comprised of property and casualty business, including property catastrophe and facultative risks, underwritten in North America, Europe, Asia, Latin America, Middle East, Africa and Russia. The Specialty segment is comprised of specialty business, including treaty and facultative contracts. The combined business included in the P&C and Specialty segments is collectively referred to in this report as Non-life business.

The Company's Life and Health segment includes the mortality and longevity business written primarily in the United Kingdom (U.K.), Ireland and France, accident and health business written in the U.S. and, following the acquisition of Aurigen, mortality business originating in Canada and the U.S.

See Results by Segment in Item 5 of this report and Note 20 to the Consolidated Financial Statements in Item 18 of this report for further details on Segments.

The Company's businesses are geographically diversified with premiums being written on a worldwide basis.

Premium Distribution

The Company's gross premiums written by segment for the years ended December 31, 2017, 2016 and 2015 are as follows (in millions of U.S. dollars). Segment data included below for prior years has been recast to conform to the current year presentation.

	2017		2016		2015	
	$	%	$	%	$	%
Non-life business:						
P&C segment	$2,255	40 %	$2,269	42 %	$2,371	43 %
Specialty segment	1,934	35 %	1,920	36 %	1,906	34 %
Total Non-life business	4,189	75 %	4,189	78 %	4,277	77 %
Life and Health segment	1,399	25 %	1,168	22 %	1,271	23 %
	$5,588	100%	$5,357	100%	$5,548	100%

See Note 20 to the Consolidated Financial Statements in Item 18 of this report for additional disclosure of the geographic distribution of gross premiums written and for information about the Company's segments.

The Company's results by segment are presented in Operating Results—Results by Segment in Item 5 of this report.

Distribution Channels

The Company generates business through brokers and through direct relationships with insurance companies. For the year ended December 31, 2017, the Company had two brokers that individually accounted for 10% or more of the Company's total gross premiums written.

Non-Life

The percentage of Non-life gross premiums written through these two brokers for the year ended December 31, 2017 was as follows:

Broker	Percentage
Marsh (including Guy Carpenter)	32 %
Aon Group (including the Benfield Group)	25 %

The combined percentage of Non-life gross premiums written through these two brokers by segment for the year ended December 31, 2017 was as follows:

Non-life segment	Percentage
P&C	57 %
Specialty	56 %

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The majority of the Company’s gross premiums written were written on a proportional basis for each of the years ended December 31, 2017, 2016 and 2015.

Life and Health

The Company’s Life and Health business is generated both through brokers and through direct relationships with insurance companies. For the year ended December 31, 2017, only one broker, the Aon Group (including the Benfield Group), accounted for more than 10% of the Life and Health segment’s total gross premiums written at 14%. No one cedant, and no other broker, accounted for more than 10% of the Life and Health segment’s total gross premiums written.

The gross premiums written in each of the Company's segments for the years ended December 31, 2017, 2016 and 2015, and the year-over-year comparisons, are described in Operating Results—Results by Segment in Item 5 of this report.

The geographic distribution of the Company’s total gross premiums written for the years ended December 31, 2017, 2016 and 2015 is presented in Note 20 to the Consolidated Financial Statements in Item 18 of this report.

Competition

The Company competes with other reinsurers, some of which have greater financial, marketing and management resources than the Company, and also competes with new market entrants, and, specifically in the catastrophe line of business, with alternative capital sources and insurance-linked securities. Competition in the types of reinsurance that the Company underwrites is based on many factors, including the perceived and relative financial strength, 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 business to be written.

Management believes the Company ranks among the world’s largest professional reinsurers and is well positioned in terms of client services and highly technical underwriting expertise. Management also believes that the Company’s global franchise and diversified platform, which allows the Company to provide broad risk solutions across many lines of business and geographies, is increasingly attractive to cedants who are choosing to utilize fewer reinsurers by consolidating their reinsurance panels and focus on those reinsurers who can cover more than one line of business. Furthermore, the Company’s capitalization and strong financial ratios allow the Company to demonstrate a solid balance sheet to its clients.

Management believes that the Company’s major competitors for the Company's Non-life business 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 Munich Re, Swiss Re, Hannover Re, SCOR SE, Transatlantic, GenRe, Everest Re, RenRe and Validus.

For the Company’s Life business, the competition differs by location but generally includes multi-national reinsurers and local reinsurers or state-owned insurers in the U.K., Ireland and Continental Europe for its mortality and longevity lines of business. The competition specifically related to the Health business generally includes other specialty accident and health reinsurance providers in the U.S. and departments of worldwide reinsurance companies. These competitors include Munich Re, RGA, Swiss Re, Hannover Re, SCOR SE and GenRe.

Risk Management

In the reinsurance industry, the core of the business model is the assumption and management of risk. A key challenge is to create shareholder value through the intelligent and optimal assumption and management of reinsurance and investment risks while limiting and mitigating those risks that can destroy value, those risks for which the organization is not sufficiently compensated, and those risks that could threaten the ability of the Company to achieve its objectives. The Company defines a capital-based risk appetite and then looks for risks that meet its return targets within that framework. Management believes that this construct allows the Company to deliver to shareholders an adequate risk adjusted return, while ensuring appropriate margins exists to pay policyholders' claims.

All business decisions entail a risk/return trade-off, and these decisions are applicable to the Company’s risks. In the context of assumed business risks, this requires an accurate evaluation of risks to be assumed, and a determination of the appropriate economic returns required as fair compensation for such risks. In the context of other than voluntarily assumed business risks, the decision relates to comparing the probability and potential severity of a risk event against the costs of risk mitigation strategies. In many cases, the potential impact of a risk event is so severe as to warrant

significant, and potentially expensive, risk mitigation strategies. In other cases, the probability and potential severity of a risk does not warrant extensive risk mitigation.

Successful risk management is the foundation of the Company’s value proposition, with diversification of risks at the core of its risk management strategy. The Company’s ability to succeed in risk assumption and business management is dependent on its

ability to accurately analyze and quantify risk, to understand volatility and how risks aggregate or correlate, and to establish the appropriate capital requirements and limits for the risks assumed. All risks, whether they are reinsurance-related risks or capital market risks, are managed by the Company within an integrated framework of policies and processes to ensure the intelligent and consistent evaluation and valuation of risk, and to ultimately provide an appropriate return to shareholders.

The Company's results are primarily determined by how well the Company understands, prices and manages assumed risk. Management also believes that every organization faces numerous risks that could threaten the successful achievement of its goals and objectives. These include strategic, financial and operational risks that are common to all industries, such as choice of strategy and markets, economic and business cycles, competition, changes in regulation, data quality and security, fraud, business interruption and management continuity. See Risk Factors above.

The Company has a clearly defined governance structure for risk management. The Company has established an Enterprise Risk Committee (ERC) which, in junction with the Board, are responsible for setting the overall vision and goals of the Company, which include the Company's risk appetite and return expectations. The Company's risk framework, including key risk policies, is recommended by Executive Management through ERC and approved by the Board. Each of the Company's risk policies relates to a specific risk and describes the Company's approach to risk management, defines roles and responsibilities relating to the assumption, mitigation, and control processes for that risk, and an escalation process for exceptions. Risk management policies and processes are coordinated by the Capital & Risk department and compliance is verified by Internal Audit on a periodic basis. The audit results are monitored by the Audit Committee of the Board.

The Company utilizes a multi-level risk management structure where the Executive Management and Board are responsible for the establishment of the critical exposure limits, capital at risk and key policies. Nevertheless, the execution of Business activities and related risk mitigation strategies are delegated to the Business Units ("BU"). These activities are represented in risk control practices embedded in the BUs which support the high level policies. Reporting on risk management activities is integrated within the Company's annual planning process, quarterly operations reports, periodic reports on exposures and large losses, and presentations to the Executive Management and Board. Individual Business Units and Support Units employ, and are responsible for reporting on, current risk management procedures and controls, while Internal Audit periodically evaluates the effectiveness of such procedures and controls.

Risk Universe

The Company structures its risks within a Risk Universe which is comprised of Industry and Company Risks. Industry Risks are those risks which are external to the Company caused by changes in demand and supply patterns, such as the competitive structure of the industry, as well as macroeconomic and regulatory trends. In contrast, Company Risks are those risks which arise as a direct result of business operations. These risks are further structured by the following sub-categories:

Strategic Risks

Strategic risks are discussed and agreed to between the CEO and the Board, and managed by the CEO, and include the direction and governance of the Company, as well as its response to key external factors faced by the reinsurance industry, such as changes in cedants' risk retention behavior, regulation, competitive structure, and macroeconomic, legal and social trends. Management considers that strong governance procedures, including a robust system of processes and internal controls are appropriate to manage risks related to its reputation and risks related to new initiatives, including acquisitions, new products or markets. The Company seeks to preserve its reputation through high professional and ethical standards and manages the impact of identified risks through the adoption and implementation of a sound and comprehensive assumed risk framework.

Operational and Financial Risks

Operational and financial risks are managed by designated functions within the organization. These risks include, but are not limited to, failures or weaknesses in financial reporting and controls, regulatory non-compliance, poor cash management, fraud, breach of information technology security, disaster recovery planning and reliance on third-party vendors. The Company seeks to minimize these risks through robust processes and monitoring throughout the

organization.

Assumed Risks

The Company's underwriting is conducted at the Business Unit level through specialized underwriting teams with the support of technical staff in disciplines such as actuarial, claims, legal, risk management and finance.

The Company's underwriters develop close working relationships with their ceding company counterparts and brokers through regular visits, gathering detailed information about the cedant's business and local market conditions and practices. As part of the underwriting process, the underwriters also focus on the reputation and quality of the proposed cedant, the likelihood of establishing

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a long-term relationship with the cedant, the geographic area in which the cedant does business and the cedant's market share, historical loss data for the cedant and, where available, historical loss data for the industry as a whole in the relevant regions, in order to compare the cedant's historical loss experience to industry averages, and to gauge the perceived insurance and reinsurance expertise and financial strength of the cedant. The Company trains its underwriters and strives to maintain continuity of underwriters within specific geographic markets and areas of specialty.

The Company generally underwrites risks with specified limits per treaty program or facultative contract. Like other reinsurance companies, the Company is exposed to multiple insured losses arising out of a single occurrence, whether a natural event such as hurricane, windstorm, tornado, flood or earthquake, or man-made events. Any such catastrophic event could generate insured losses in one or many of the Company's reinsurance treaties and facultative contracts and in one or more lines of business. The Company considers such event scenarios as part of its evaluation and monitoring of its aggregate exposures to catastrophic events.

Investment Risk

The Company defines this risk as the risk of a substantial decline in the value of its holdings in fixed income, equities, equity-like securities, real estate, and other investment categories. The Company's fully integrated information system provides real-time investment data, allowing for continuous monitoring and decision support. Each portfolio is managed against a predetermined benchmark to enable alignment with appropriate risk parameters and achievement of desired returns. Any such investment risks could generate losses in the Company's portfolios. The Company considers such scenarios as part of its evaluation and monitoring of its aggregate exposures to investment risk.

Market Risk

Financial assets are defined by the Company as comprising of its equity and equity-like securities which include all invested assets that are not investment grade standard fixed income securities and certain fixed income asset classes that are not liquid (but excludes certain insurance-linked securities, such as catastrophe bonds, as that risk is aggregated with liability risks). The Company limits its aggregate exposure to financial assets as well as sub-limits the exposures by type of financial assets (public equity, private equity, real estate and alternative credit). Refer to Note 3 to the Consolidated Financial Statements in Item 18 of this report for further details of equities and changes in composition of investments, including equities, over the prior year.

Credit Spread Risk

The Company defines this risk as the risk of a substantial decline in the market value of its fixed income assets that is not a result of changes in risk-free interest rates. Spread risk also includes migration and default risks (defined as the risk that a given security is downgraded or upgraded before maturity and the risk that recovery is less than the full valuation of the security, respectively). The Company limits its aggregate exposure to spread risk and sub-limits its exposures by sector, by individual issuer and by rating.

Interest Rate Risk

The Company defines this risk as the risk of a substantial mismatch of asset and liability durations, which may result in economic losses to the Company. Economically, the Company is hedged against changes in asset and liability values resulting from small parallel changes in the risk-free yield curve to the degree asset and liability durations are matched. Nonparallel shifts in the yield curve or extremely large changes in yields can introduce investment losses to the degree that asset maturity and coupon payments are not exactly matched to liability payments. Investment losses associated with interest rate risk of a magnitude that have the potential to exceed the Company's risk tolerance are associated with extremely large increases in interest rates over an annual period. See Quantitative and Qualitative Disclosures about Market Risk-Interest Rate Risk in Item 11 of this report.

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Risk Appetite and Risk Tolerance

Risk appetite is an integral part of an effective risk management system that defines the overall level of risk the Company is prepared to accept in pursuit of its strategic objectives, and which is managed through a robust Risk Tolerance Framework of risk limits. Executive Management regularly reviews the Company's deployment and may decide to adjust the amount of capacity deployed for each risk driver (within the established risk tolerance) based on strategic considerations and changes in market conditions.

The Company's risk tolerance is expressed as the maximum economic loss that the Board is willing to incur based on various modeled probability return periods. To mitigate the chance of economic losses exceeding the risk tolerance, the Company relies upon diversification of risk sources and risk limits to manage exposures. Diversification enables losses from one risk source to be offset by profits from other risk sources so that the chance of overall losses exceeding the Company's risk tolerance is reduced.

The Company's risk tolerance is expected to remain stable and changes are to be approved by the Board. Definitions for the maximum economic loss and available economic capital are as follows:

Economic Loss. The Company defines an economic loss as a decrease in the Company's economic value, which is defined as common shareholder's equity attributable to PartnerRe Ltd. plus the "time value of money" discount of the non-life reserves that is not recognized in the consolidated financial statements in accordance with U.S. GAAP, net of tax, plus the embedded value of the Life portfolio that is not recognized in the consolidated financial statements in accordance with U.S. GAAP, net of tax, less goodwill and intangible assets, net of tax.

Available Economic Capital. The Company defines economic capital as the economic value, as defined above, plus preferred shareholders' equity and the carrying value of debt recognized in the consolidated financial statements in accordance with U.S. GAAP.

The Maximum Economic Loss. The maximum economic loss is a loss expressed as a percentage of economic capital under various modeled probability return periods.

Risk Tolerance Framework

The Company establishes key risk limits net of any reinsurance/retrocession for any risk source deemed by Management to have the potential to cause economic losses greater than the Company's risk tolerance.

In 2017, a revised Risk Tolerance framework was approved by the Board in order to drive consistency in the application of Company limits. The overall risk tolerance is 35% of the loss of available economic capital based on the internal model 1-in-100 Value at Risk or 1-in-100 scenarios. Furthermore, limits are applied to Financial Assets and Risk Tiers. The Financial Assets comprise the Company's equity and equity-like securities, as defined above, and have an established tolerance limit of $1.6 billion based on the internal model 1-in-100 return period. Additionally there are operational sub-limits for certain asset classes. The Risk Tiers consist of a classification of risk drivers which consider the following criteria:

- Materiality
- Risk driver expertise
- Potential for superior risk-adjusted return over the cycle

Management monitors Tier 1 Risks on a periodic basis. The approved limits and the actual limits deployed at December 31, 2017 were as follows (in billions of U.S. dollars):

Tier 1 Risks	December 31, 2017		December 31, 2016	
	Approved limit (1)	Actual deployed(1)	Approved limit(1)	Actual deployed(1)
Natural Catastrophe Risk	$ 1.6	$ 0.8	$ 1.6	$ 0.8
Longevity Risk(2)	$ 1.6	$ 0.9	$ 1.6	$ 0.7
Pandemic Risk	$ 1.6	$ 0.4	$ 1.6	$ 0.4
Casualty Risk	$ 1.6	$ 0.7	$ 1.6	$ 0.7
Standard Fixed Income Credit	$ 1.6	$ 0.8	$ 1.6	$ 1.0

(1) The limits approved and the actual limits deployed in the table above are shown net of retrocession.

(2) The longevity risk duration for modelling purposes extends to the full run-off rather than one year.

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Tier 1 Risks

Tier 1 Risks consists of risk drivers which meet all three criteria of the Risk Tolerance Framework including materiality, risk driver expertise and potential for superior risk-adjusted return over the cycle. Additionally, the risk tolerance limit for this Risk Tier is $1.6 billion based on either the internal model 1-in-100 Value at Risk or a 1-in-100 scenario. The Tier 1 Risk Tier encompasses the following risk drivers:

Natural Catastrophe Risk

The Company defines this risk as the risk that the aggregate losses from natural perils materially exceed the net premiums that are received to cover such risks, which may result in operating and economic losses to the Company. The Company considers both catastrophe losses due to a single large event and catastrophe losses that would occur from multiple (but potentially smaller) events in any year. The actual deployed figure shown for Natural Catastrophe Risk in the Tier 1 table above represents the modeled 1-in-100 Value at Risk of the annual aggregate natural catastrophe financial losses (i.e. losses minus premiums and expenses).

Natural catastrophe risk is managed through the allocation of catastrophe exposure capacity in each exposure zone to different Business Units, regular catastrophe modeling and a combination of quantitative and qualitative analysis. The Company considers a peril zone to be an area within a geographic region, continent or country in which losses from insurance exposures are likely to be highly correlated to a single catastrophic event. Not all peril zones have the same limit and peril zones are broadly defined so that it would be unlikely for any single event to substantially erode the aggregate exposure limits from more than one peril zone. Even extremely high severity/low likelihood events will only partially exhaust the limits in any peril zone, as they are likely to only affect a part of the area covered by a wide peril zone.

Longevity Risk

The Company considers longevity exposure to have a material accumulation potential and has established a limit to manage the risk of loss associated with this exposure, which may result in operating and economic losses to the Company. The Company defines longevity risk as the potential for increased actual and future expected annuity payments resulting from annuitants living longer than expected, or the expectation that annuitants will live longer in the future. Assuming longevity risk, through reinsurance or capital markets transactions, is part of the Company's strategy of building a diversified portfolio of risks. While longevity risk is highly diversifying in relation to other risks in the Company's portfolio (e.g. mortality products), longevity risk itself is a systemic risk with little opportunity to diversify within the risk class. Longevity risk accumulates across cedants, geographies, and over time because mortality trends can impact diverse populations in the same manner. Longevity risk can manifest slowly over time as experience proves annuitants are living longer than original expectations, or abruptly as in the case of a "miracle drug" that increases the life expectancy of all annuitants simultaneously.

Pandemic Risk

The Company considers mortality exposure to have a material accumulation potential to common risk drivers, in particular to pandemic events, which may result in operating and economic losses to the Company. The Company defines pandemic risk as the increase in mortality over an annual period associated with a rapidly spreading virus (either within a highly populated geographic area or on a global basis) with a high mortality rate. Assuming mortality risk, through reinsurance or capital markets transactions, is part of the Company's strategy of building a diversified portfolio of risks. While mortality risk is highly diversifying in relation to other risks in the Company's portfolio (e.g. longevity products), mortality risk itself is a systemic risk when the risk driver is a pandemic with little opportunity to diversify within the risk class. Mortality risk from pandemics can accumulate across cedants and geographies.

Casualty Risk

The Company defines this risk as the risk that the estimates of ultimate losses for casualty will prove to be too low, leading to the need for substantial reserve strengthening, which may result in operating and economic losses to the Company. Particularly in U.S. casualty, actual loss trends may in the future result to be higher than the assumptions underlying the Company's ultimate loss estimates, resulting in ultimate losses that exceed recorded loss reserves. When loss trends prove to be higher than those underlying the reserving assumptions, the impact can be large because of an accumulation effect.

The Company manages and mitigates the reserving risk for casualty in a variety of ways. Underwriters and pricing actuaries follow a disciplined underwriting process that utilizes all available data and information, including industry trends, and the Company establishes prudent reserving policies for determining recorded reserves. These policies are systematic and Management

endeavors to apply them consistently over time. See Liquidity and Capital Resources-Critical Accounting Policies and Estimates-Non-life and Life and Health Reserves in Item 5 of this report.

Standard Fixed Income Credit Risk

The Company defines this risk as the risk of a substantial increase in defaults in the Company's standard fixed income credit securities (which includes investment grade corporate bonds and asset-backed securities) leading to realized investment losses or a significant widening of credit spreads resulting in realized or unrealized investment losses, either of which may result in economic losses to the Company. Investment losses of the magnitude that have the potential to exceed the Company's risk tolerance are associated with the systemic impacts of severe economic and financial stress. As a result, the Company limits the exposure to the standard fixed income credit securities so that investment losses will be mitigated in an extreme economic or financial crisis.

Tier 1 Risks are monitored by the ERC and reported to the Board.

See also Quantitative and Qualitative Disclosures about Market Risk-Credit Spread Risk in Item 11 of this report.

Tier 2 Risks

Tier 2 Risks consists of risks drivers which meet two of the three criteria. Additionally, the risk tolerance limit is less than half of the Tier 1 Risk limit based on either the internal model 1-in-100 Value at Risk or a 1-in-100 scenario. The Tier 2 Risks encompasses the following risk drivers:

Mortgage Risk

The Company defines this risk as the risk that losses from mortgage reinsurance materially exceed the net premiums that are received to cover such risks, which may result in operating and economic losses to the Company. Mortgage insurance underwriting losses that have the potential to exceed the Company's risk tolerance are associated with the systemic impacts of severe mortgage defaults, driven by large scale economic downturns and high unemployment. Localized or regional economic downturns are unlikely to have a large enough geographic footprint to create material losses exceeding the net premiums collected.

Credit and Surety Risk

The Company defines this risk as the risk that aggregated trade credit losses materially exceed the net premiums that are received to cover such risks, which may result in operating and economic losses to the Company. Trade credit losses of the magnitude that have the potential to exceed the Company's risk tolerance are associated with the systemic impacts of severe economic and financial stress. In these events, with respect to underwriting, losses may arise from defaults of single large named insureds and from a high frequency of defaults of smaller insureds. In addition, trade credit risk is highly correlated with default and credit spread widening risk of the standard investment grade fixed income portfolio during times of economic stress or financial crises.

Tier 2 Risks are monitored by the ERC.

All other underwriting risks are considered as part of the Tier 3 Risks and are monitored by the Chief Underwriting Officer, Chief Investment Officer and corresponding Business Units.

Natural Catastrophe PML

The following discussion of the Company's natural catastrophe PML information contains forward-looking statements based upon assumptions and expectations concerning the potential effect of future events that are subject to uncertainties. See Risk Factors in Item 3 of this report for a list of the Company's risk factors. Any of these risk factors could result in actual losses that are materially different from the Company's PML estimates below.

Natural catastrophe risk is a source of significant aggregate exposure for the Company and is managed by setting risk tolerance and limits, as discussed above. Natural catastrophe perils can impact geographic regions of varying size and can have economic repercussions beyond the geographic region directly impacted.

The Company defines peril zones to capture the vast majority of exposures likely to be incorporated by typical modeled events. There is, however, no industry standard and the Company's definitions of peril zones may differ from those of other parties.

The Company has exposures in other peril zones that can potentially generate losses greater than the PML estimates below. The Company's PMLs represent an estimate of loss for a single event for a given return period. The table below discloses the

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Company's expected loss, 1-in-50, 1-in-100, and 1-in-250 year return period estimated loss for a single occurrence of a natural catastrophe event in a one-year period.

The PML estimates below include all significant exposure from our Non-life and Life and Health business operations. This includes coverage for property, marine, energy, engineering, workers' compensation, mortality, and exposure to catastrophe from insurance-linked securities. The PML estimates do not include casualty coverage that could be exposed as a result of a catastrophic event. In addition, they do not include estimates for contingent losses to insureds that are not directly impacted by the event (e.g. loss of earnings due to disruption in supply lines).

The Company's single occurrence estimated net PML exposures (pre-tax and net of retrocession and reinstatement premiums) of the top ten natural catastrophe perils as at December 31, 2017 were as follows (in millions of U.S. dollars):

		December 31, 2017		December 31, 2016	
Zone	Peril	1-in-250 year PML	1-in-500 year PML (Earthquake perils only)	1-in-250 year PML	1-in-500 year PML (Earthquake perils only)
U.S. Southeast	Hurricane	$556		$496	
U.S. Northeast	Hurricane	573		560	
U.S. Gulf Coast	Hurricane	586		502	
Caribbean	Hurricane	175		165	
Europe	Windstorm	403		387	
Japan	Typhoon	209		190	
California	Earthquake	512	$ 640	462	$ 595
British Columbia	Earthquake	143	306	161	317
Japan	Earthquake	330	368	315	349
Australia	Earthquake	152	222	187	258
New Zealand	Earthquake	140	201	147	211

Risk Mitigation

Retrocessional Reinsurance

The Company uses retrocessional reinsurance agreements to reduce its exposure on certain reinsurance risks assumed and to mitigate the effect of any single major event or the frequency of medium-sized events. These agreements provide for the recovery of a portion of losses and loss expenses from retrocessionaires. The majority of the Company's retrocessional reinsurance agreements cover property and specialty lines (e.g. aviation, marine, mortgage and certain risks included in the credit/surety line) exposures, predominantly those that are catastrophe exposed. The Company also utilizes retrocessions in the Life and Health segment to manage the amount of per-event and per-life risks to which it is exposed. Retrocessionaires must be pre-approved based on their financial condition and business practices, with stability, solvency and credit ratings being important criteria. Strict limits per retrocessionaire are also put into place and monitored to mitigate counterparty credit risk.

The Company remains liable to its cedants to the extent that the retrocessionaires do not meet their obligations under retrocessional agreements, and therefore retrocessions are subject to credit risk in all cases and to aggregate loss limits in certain cases. The Company holds collateral, including escrow funds, trusts, securities and letters of credit under certain retrocessional agreements. Provisions are made for amounts considered potentially uncollectible and reinsurance losses recoverable from retrocessionaires are reported after allowances for uncollectible amounts.

In addition to the retrocessional agreements, PartnerRe Europe has a Reserve Agreement in place with Colisée Re (see Liquidity and Capital Resources- Reserves in Item 5 of this report).

Regulation

The business of reinsurance is regulated in all countries in which we operate, although the degree and type of regulation varies significantly from one jurisdiction to another. Some jurisdictions impose complex regulatory requirements on reinsurance or licensed by governmental authorities. See Risk Factors - Legal and Regulatory Risks

in Item 3 of this report.

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Bermuda has been deemed Solvency II equivalent under the European Union's (EU) Solvency II Directive, effective January 1, 2016. Bermuda has been granted equivalence for an unlimited period for all three relevant equivalence areas: Articles 172, 227 and 260, with the exception of rules on captives and special purpose insurers, which are subject to a different regulatory regime in Bermuda. This determination has resulted in Bermuda-based reinsurers being exempt from the requirement to post collateral in the EU and allows reinsurance contracts concluded with undertakings having their head office in Bermuda to be treated in the same manner as reinsurance contracts concluded with undertakings authorized in accordance with the Directive (Article 172); EU insurance groups can conduct their EU prudential reporting for a subsidiary in Bermuda under local rules instead of Solvency II if deduction and aggregation is allowed as the method of consolidation of group accounts (Article 227); and Bermuda insurance groups which are active in the EU are exempt from some aspects of group supervision in the EU as Member States will rely on the equivalent supervision exercised by the Bermuda Monetary Authority (BMA) (Article 260).

One of the key concepts of Solvency II is the principal of one "home" regulator over all the operating entities in a particular insurance or reinsurance group (referred to as Group Supervision). The Insurance Act 1978 of Bermuda and related regulations, as amended (the Insurance Act) sets out provisions regarding Group Supervision, including the power of the BMA to include or exclude specified entities from Group Supervision, the power of the BMA to withdraw as group supervisor, the functions of the BMA as Group supervisor and the power of the BMA to make rules regarding Group Supervision for, amongst other things (1) assessing the financial situation and the solvency position of the insurance group and/or its members and (2) regulating intra-group transactions, risk concentration, governance procedures, risk management and regulatory reporting and disclosure. This Group Supervision regime is in addition to the regulation of the Company's various operating subsidiaries in their local jurisdictions. The BMA's Group Supervision rules set out the rules in respect of the assessment of the financial situation and solvency of an insurance group, the system of governance and risk management, and supervisory reporting and disclosures of an insurance group. The Group solvency rules set out the rules in respect of the capital and solvency return and enhanced capital requirements for an insurance group. PartnerRe Bermuda is the designated insurer for the purposes of Group Supervision, and the BMA currently acts as Group supervisor of the Company and its subsidiaries. As Group supervisor, the BMA will perform a number of supervisory functions including (1) coordinating the gathering and dissemination of information which is of importance for the supervisory task of other competent authorities; (2) carrying out a supervisory review and assessment of the Group; (3) carrying out an assessment of the Group's compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (4) planning and coordinating, with other competent authorities, supervisory activities in respect of the Group, both as a going concern and in emergency situations; (5) taking into account the nature, scale and complexity of the risks inherent in the business of all companies that are part of the Group; (6) coordinating any enforcement action that may need to be taken against the Group or any of its members and (7) planning and coordinating meetings of colleges of supervisors (consisting of insurance regulators) in order to facilitate the carrying out of the functions described above. PartnerRe Ltd. is not a registered insurer; however, pursuant to its functions as Group supervisor, the BMA includes the Company and may include any member of the group within its Group Supervision.

Significant aspects of the Bermuda insurance regulatory framework and requirements imposed on Insurance and Reinsurance Groups include the solvency assessment. The Company must annually perform an assessment of its own risk and solvency requirements, referred to as a Group's Solvency Self Assessment (GSSA). The GSSA allows the BMA to obtain an insurance group's view of the capital resources required to achieve its business objectives and to assess a group's governance, risk management and controls surrounding this process. In addition, the Company must file with the BMA a Catastrophe Risk Return which assesses an insurer's reliance on vendor models in assessing catastrophe exposure.

Effective January 1, 2014, the BMA imposed the Enhanced Capital Requirement (ECR) on the Company pursuant to its function as the Company's group supervisor. The PartnerRe group's ECR may be calculated by either (a) the standard model developed by the BMA known as the Bermuda Solvency Capital Requirement model (BSCR), or (b) an internal capital model which the BMA has approved for use for this purpose. The Company currently uses the BMA standard model in calculating its group ECR requirements. In addition, the Company is required to prepare and submit annual audited group U.S. GAAP financial statements, annual group statutory financial statements, annual

group statutory financial return, annual group capital and solvency return and quarterly group unaudited financial returns.

The BSCR model is a risk-based capital model which provides a method for determining an insurer's capital requirements (statutory capital and surplus) by taking into account the risk characteristics of different aspects of the insurer's business. The BSCR formulae establishes on a consolidated basis capital requirements for eleven categories of risk: fixed income investment risk, equity investment risk, interest rate/liquidity risk, currency risk, concentration risk, premium risk, reserve risk, credit risk, catastrophe risk long-term insurance risk and operational risk.

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Pursuant to the Insurance (Public Disclosure) Rules 2015, the BMA requires commercial insurers and insurance groups to prepare and publish a Financial Condition Report (FCR). The FCR provides an overview of the company's financial condition including business performance, governance structure, risk profile, solvency valuation and capital management process. On June 30, 2017, PartnerRe Ltd. and each of its two Bermuda registered reinsurers submitted their first required FCRs for the year ended December 31, 2016 to the BMA. The FCR includes, among other disclosures, the respective company's required and available statutory capital. The FCR is required to be filed with the BMA annually and published on the PartnerRe website within fourteen days of filing with the BMA. The FCR must be signed off by the CEO and either the chief risk officer or chief financial officer (CFO) declaring the appropriateness of the information contained in the FCR.

Bermuda

The Insurance Act regulates the business of PartnerRe Bermuda. The Insurance Act imposes solvency and liquidity standards and auditing and reporting requirements on Bermuda insurance companies and grants the BMA powers to supervise, investigate and intervene in the affairs of Bermuda registered insurance companies. The Insurance Act makes no distinction between insurance and reinsurance business.

PartnerRe Bermuda is licensed as a Class 4, Class C and Class E insurer in Bermuda and is therefore authorized to carry on general and long-term insurance business. Significant aspects of the Bermuda insurance regulatory framework and requirements imposed on Class 4, Class C and Class E insurers such as PartnerRe Bermuda include the following:

Minimum Solvency Margin and Enhanced Capital Requirements. The Insurance Act provides that the value of the statutory assets of an insurer must exceed the value of its statutory liabilities by an amount greater than its prescribed minimum solvency margin (MSM). The MSM that must be maintained by PartnerRe Bermuda with respect to its (A) general business is the greater of (i) $100 million, or (ii) 50% of net premiums written (with a credit for reinsurance ceded not exceeding 25% of gross premiums), or (iii) 15% of net discounted aggregate loss and loss expense provisions and other insurance reserves, or (iv) 25% of its ECR as reported at the end of the relevant year; and (B) long-term business is the greater of $8 million or 2% of the first $500 million of assets plus 1.5% of assets above $500 million. Assets are defined as the total assets reported on an insurer's balance sheet in the relevant year less the amount held in a segregated account;

Minimum Capital Requirements. While not specifically referred to in the Insurance Act, the BMA has also established a Target Capital Level (TCL) equal to 120% of its ECR. While an insurer is not currently required to maintain its statutory capital and surplus at this level, the TCL serves as an early warning tool for the BMA and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight.

Any applicable insurer which at any time fails to meet the MSM requirements must, upon becoming aware of such failure, immediately notify the BMA and, within 14 days thereafter, file a written report with the BMA describing the circumstances that gave rise to the failure and setting out its plan detailing specific actions to be taken and the expected time frame in which the company intends to rectify the failure.

Any applicable insurer which at any time fails to meet the ECR applicable to it will upon becoming aware of that failure, or of having reason to believe that such a failure has occurred, immediately notify the BMA in writing and, within 14 days of such notification, file with the BMA a written report containing particulars of the circumstances leading to the failure; and a plan detailing the manner, specific actions to be taken and time within which the insurer intends to rectify the failure and within 45 days of becoming aware of that failure, or of having reason to believe that such a failure has occurred, furnish the BMA with: (1) unaudited interim standard accounting principles financial statements covering such period as the BMA may require, (2) the opinion of a loss reserve specialist where applicable, (3) a general business solvency certificate in respect of the financial statements and unaudited statutory economic balance sheet prepared in accordance with GAAP, (4) a capital and solvency return reflecting an ECR prepared using post-failure data, where applicable, (5) a long-term business solvency certificate in respect of those statements, where applicable and (6) the opinion of an approved actuary, where applicable.

To enable the BMA to better assess the quality of the insurer's capital resources, applicable insurers are required to disclose the makeup of its capital in accordance with the "3-tiered capital system."

Under this system, all of the insurer's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of three tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified as Tier 1 Capital, lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, up to certain specified percentages of Tier 1, Tier 2, and Tier 3 Capital may be used to support the insurer's MSM, ECR, and TCL.

The characteristics of the capital instruments that must be satisfied to qualify as Tier 1, Tier 2, and Tier 3 Capital are set out in the Insurance (Eligible Capital) Rules 2012, as amended. Under these rules, Tier 1, Tier 2, and Tier 3 Capital may, until January 1, 2026, include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled

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only with the issuance of an instrument of equal or higher quality upon a breach, or if it would cause a breach, in the ECR.

While the BMA has previously approved the use of certain instruments for capital purposes, the BMA's consent will need to be obtained if such instruments are to remain eligible for use in satisfying the MSM and the ECR.

Effective from the 2016 financial year end onwards, the BMA has implemented an Economic Balance Sheet (EBS) framework which will now be used as the basis to determine the ECR for all commercial insurers, including PartnerRe Bermuda. The EBS framework applies prudential filters and other EBS valuation adjustments to an insurers GAAP balance sheet to produce an economic valuation of the assets and liabilities of the insurer. The EBS framework includes BSCR capital charge amendments for cash and cash equivalents, credit risk, currency risk, concentration risk and geographic diversification.

Reporting Requirements. PartnerRe Bermuda must prepare and submit, on an annual basis, both audited GAAP and statutory financial statements. The Insurance Act prescribes rules for the preparation and substance of statutory financial statements (which include, in statutory form, a balance sheet, income statement, a statement of capital and surplus, and notes thereto). The statutory financial statements include detailed information and analysis regarding premiums, claims, reinsurance and investments of the insurer.

Every insurer is also required to deliver to the BMA a declaration of compliance declaring whether or not that insurer has, with respect to the preceding financial year, (i) complied with the minimum criteria applicable to it, (ii) complied with its MSM and ECR as at its financial year-end, and (iii) where an insurer's license has been issued subject to limitations, restrictions or conditions, that the insurer has observed such limitations, restrictions or conditions. The declaration of compliance must be signed by 2 directors and filed at the same time the insurer submits its statutory financial statements

Dividends and Distributions. The Insurance Act prohibits PartnerRe Bermuda, as an insurer registered as a Class E and as a Class 4 insurer from declaring or paying any dividends during any financial year if it is in breach of its MSM or if the declaration or payment of such dividends would cause such a breach. PartnerRe Bermuda is also prohibited from declaring or paying a dividend where it has failed to comply with the ECR, until such noncompliance is rectified. Furthermore, under the Insurance Act, PartnerRe Bermuda shall not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless at least 7 days before payment of those dividends it files with the BMA an affidavit signed by at least two directors, and by PartnerRe Bermuda's principal representative in Bermuda, which states that in the opinion of those signing, declaration of those dividends has not caused the insurer to fail to meet its relevant margins.

Generally, an insurer carrying on long-term business, such as PartnerRe Bermuda, is also restricted from declaring or paying a dividend unless the value of its assets in its long-term business fund exceeds the extent of the liabilities of the insurer's long-term business.

Further, under the Bermuda Companies Act 1981, as amended, PartnerRe Bermuda may only declare or pay a dividend, or make a distribution out of contributed surplus, if it has no reasonable grounds for believing that: (1) it is, or would after the payment be, unable to pay its liabilities as they become due or (2) the realizable value of its assets would be less than its liabilities.

In addition to the above, PartnerRe Bermuda maintains an operating branch in Canada and a representative office in Mexico. The Canadian branch is subject to regulation in Canada by the Office of the Superintendent of Financial Institutions (OFSI). For a further discussion of the regulations pertaining to the Canadian branch see below.

Ireland

The Central Bank of Ireland (the Central Bank) regulates insurance and reinsurance companies authorized in Ireland, including PartnerRe Europe and PartnerRe Ireland. PartnerRe Holdings Europe Limited, a holding company for PartnerRe Europe and PartnerRe Ireland, is not subject to regulation by the Central Bank. PartnerRe Europe is a reinsurance company incorporated under the laws of Ireland and is duly authorized as a reinsurance undertaking to carry on non-life and life reinsurance business in accordance with the European Union (Insurance and Reinsurance) Regulations 2015. PartnerRe Ireland is an insurance company incorporated under the laws of Ireland and is duly authorized as an insurance undertaking to carry on non-life insurance business in accordance with the European Union (Insurance and Reinsurance) Regulations 2015.

Significant aspects of the Irish re/insurance regulatory framework and requirements imposed on PartnerRe Europe and PartnerRe Ireland include the following:
Solvency Requirements. The Directive related to the solvency standards applicable to insurers and reinsurers prescribes, at the level of PartnerRe Europe and PartnerRe Ireland, the minimum amounts of financial resources that both companies are required to have in order to cover the risks to which they are exposed and the principles that should guide their overall risk management and reporting.

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This Directive became effective January 1, 2016. Under the Solvency II requirements, PartnerRe Europe and PartnerRe Ireland have similar governance requirements to those of PartnerRe Bermuda such as Balance Sheet, Own Risk and Solvency Assessment, Solvency and Financial Condition Report and a Regular Supervisory Report.
Reporting Requirements. PartnerRe Europe and PartnerRe Ireland must file and submit annual audited financial statements in accordance with International Financial Reporting Standards and related reports to the Irish Companies Registration Office (CRO) together with an annual return of certain core corporate information. Changes to core corporate information during the year must also be notified to the CRO. These requirements are in addition to the regulatory returns required to be filed annually with the Central Bank and additionally, in the case of PartnerRe Ireland, with the National Association of Insurance Commissioners (NAIC) in the U.S.; and
Dividends and Distributions. Pursuant to Irish company law, PartnerRe Europe and PartnerRe Ireland are restricted to declaring dividends only out of “profits available for distribution”. Profits available for distribution are, broadly, a company’s accumulated realized profits less its accumulated realized losses. Such profits may not include profits previously utilized.
In addition to the above, PartnerRe Europe has also established operating branches in the U.K., France, Switzerland, Dubai and Hong Kong and a representative office in Brazil, which are subject to Irish reinsurance supervision regulations. In addition, the Hong Kong branch is subject to regulation by the Insurance Authority of Hong Kong. PartnerRe Ireland, pursuant to the Nonadmitted and Reinsurance Reform Act of 2010 (part of the Dodd-Frank Act), is a nonadmitted alien insurer in the U.S. and is eligible to write business as an excess and surplus lines insurer in all U.S. states. PartnerRe Ireland has also established an operating branch in the U.K. which is subject to Irish insurance supervision regulations.
PartnerRe Europe and PartnerRe Ireland dac (PartnerRe Ireland) are parties to a regulatory investigation with the Central Bank of Ireland. On September 20, 2017, the Central Bank of Ireland (Central Bank) issued notices of commencement of investigation pursuant to Part IIIC of the Central Bank Act 1942, as amended (Act), to PartnerRe Europe and PartnerRe Ireland. In summary, the Central Bank is alleging contraventions of Corporate Governance Requirements for Insurance Undertakings 2015, Solvency II Regulations and the Commission Delegated Regulation (EU) 2015/35. We are cooperating with the investigation, however, we are unable to predict the investigation’s likely timing and outcome. While at this stage in the process, it is unclear whether we will have any liability related to these matters, the Company does not believe, at this time, this matter will have a material adverse effect on the Group’s business or the Group’s consolidated financial condition.
United States
PartnerRe U.S. Corporation is a Delaware domiciled holding company for its wholly-owned (re)insurance subsidiaries, PartnerRe U.S., PartnerRe Insurance Company of New York (PRNY) and PartnerRe America Insurance Company (PRAIC) (PartnerRe U.S., PRNY and PRAIC together being the PartnerRe U.S. Insurance Companies). The PartnerRe U.S. Insurance Companies are subject to regulation under the insurance statutes and regulations of their domiciliary states (New York in the case of PartnerRe U.S. and PRNY, and Delaware in the case of PRAIC, and all states where they are licensed, accredited or approved to underwrite insurance and reinsurance).
Currently, the PartnerRe U.S. Insurance Companies are licensed, accredited or approved reinsurers and/or insurers in all fifty states and the District of Columbia, and are subject to the requirements described below.
PartnerRe U.S. Corporation is also the owner of Presidio and its 100% owned subsidiaries Presidio Excess Insurance Services, Inc. (PXS), PartnerRe Management Ltd. (PRM) and Presidio Reinsurance Corporation Inc. (PRC). PXS is a managing general underwriter licensed in a number of states. PRM is domiciled in the U.K. and regulated by the Financial Services Authority. PRC is a Montana domiciled captive reinsurer and the Montana Department of Insurance is the domiciliary regulator of PRC. These entities are not subject to any significant regulatory requirements or restrictions that would have a material impact on the Company.
The Company also, through its 100% owned subsidiary Aurigen Capital Limited, owns 100% of PartnerRe Life Reinsurance Company of America (PLRA) a life reinsurance company which is subject to regulation under the insurance statutes and regulations of Arkansas and all states where PLRA is licensed, accredited or approved to underwrite reinsurance.

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Risk-Based Capital Requirements. The Risk-Based Capital (RBC) for Insurers Model Act (the Model RBC Act), as it applies to property and casualty insurers and reinsurers, was initially adopted by the NAIC in December 1993. The Model RBC Act or similar legislation has been adopted by the majority of states in the U.S. The main purpose of the Model RBC Act is to provide a tool for insurance regulators to evaluate the capital of insurers with respect to the risks assumed by them and to determine whether there is a need for possible corrective action. U.S. insurers and reinsurers are required to report the results of their RBC calculations as part of the statutory annual statements that such insurers and reinsurers file with state insurance regulatory authorities. The Model RBC Act provides for four different levels of regulatory actions, each of which may be triggered if an insurer's Total Adjusted Capital (as defined in the Model RBC Act) is less than a corresponding level of risk-based capital. Decreases in an insurer's Total Adjusted Capital as a percentage of its Authorized Control Level (as defined in the Model RBC Act) triggers increasing regulatory actions. Such regulatory actions include but are not limited to issuance of orders for corrective action by the insurer, rehabilitation or liquidation of the insurer.

Insurance Regulatory Information System (IRIS) Ratios. A committee of state insurance regulators developed the NAIC's IRIS primarily to assist state insurance departments in executing their statutory mandates to oversee the financial condition of insurance or reinsurance companies operating in their respective states. IRIS identifies thirteen industry ratios and specifies usual values for each ratio. Generally, a company will become subject to regulatory scrutiny if it falls outside the usual ranges with respect to four or more of the ratios, and regulators may then act, if the company has insufficient capital, to constrain the company's underwriting capacity. No such action has been taken with respect to the PartnerRe U.S. Insurance Companies.

Reporting Requirements. Regulations vary from state to state, but generally require insurance holding companies and insurers and reinsurers that are subsidiaries of insurance holding companies to register and file with their state domiciliary regulatory authorities certain reports, including information concerning their capital structure, ownership, financial condition and general business operations. State regulatory authorities monitor compliance with, and periodically conduct examinations with respect to, state mandated standards of solvency, licensing requirements, investment limitations, and restrictions on the size of risks which may be reinsured, deposits of securities for the benefit of reinsureds, methods of accounting for assets, reserves for unearned premiums and losses, and other purposes. In general, such regulations are for the protection of reinsureds and, ultimately, their policyholders, rather than security holders. In the U.S., the New York State Department of Financial Services (NYDFS) is the domiciliary regulator of PartnerRe U.S. and PRNY, and the Delaware Department of Insurance is the domiciliary regulator of PRAIC.

Dividends and Distributions. Under New York law, the NYDFS must approve any dividend declared or paid by PartnerRe U.S. or PRNY that, together with all dividends declared or distributed by each of them during the preceding twelve months, exceeds the lesser of 10% of their respective statutory surplus as shown on the latest statutory financial statements on file with the NYDFS, or 100% of their respective adjusted net investment income during that period. In addition, as a condition of the acquisition by Exor N.V., PartnerRe U.S. committed that it would not take any action to pay any dividend for the two-year period from March 18, 2016 to March 18, 2018 without the prior approval of the NYDFS (see Risk Factors in Item 3 of this report). Under Delaware law the Delaware Commissioner of Insurance must approve any dividend declared or paid by PRAIC that, together with all dividends or distributions made within the preceding 12 months exceeds the greater of (i) ten percent of PRAIC's surplus as regards policyholders as of the preceding December 31 or (ii) the net income, not including realized capital gains, for the 12-month period ending the preceding December 31. In addition, as a condition of the acquisition by Exor N.V., PRAIC also committed that it would not take any action to pay any dividend for the two-year period from March 18, 2016 to March 18, 2018 without the prior approval of the Delaware Commissioner of Insurance (see Risk Factors in Item 3 of this report). Both Delaware and New York do not permit a dividend to be declared or distributed, except out of earned surplus.

In addition to the above, the Dodd-Frank Act currently impacts the PartnerRe U.S. Insurance Companies. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry in the U.S. and established a Federal Insurance Office (FIO) within the U.S. Treasury Department. Although the FIO does not have general supervisory or regulatory authority over the business of insurance or reinsurance, it is charged with monitoring all

aspects of the insurance industry, consulting with state insurance regulators, assisting in administration of the TRIA and other duties. Furthermore, the director of the FIO is a non-voting member of the multi-agency Financial Stability Oversight Council (FSOC), and the FSOC may, among other things, subject an insurance company or an insurance holding company to heightened prudential standards in accordance with Title I of the Dodd-Frank Act following an extended determination process (which can require that such insurance company be subject also to supervision by the Board of Governors of the Federal Reserve System). The Dodd-Frank Act also made small changes to the regulation of credit for reinsurance and surplus lines insurance in the U.S. See Risk Factors in Item 3 of this report.

Cybersecurity Requirements. In February 2017, the NYDFS issued final Cybersecurity Requirements for Financial Service Companies that will require regulated entities, including PartnerRe U.S. Insurance Companies, to establish and maintain a cybersecurity program designed to protect consumers and ensure the safety and soundness of New York's financial services industry. The regulation became effective on March 1, 2017, subject to certain phase-in periods. Depending on the regulation's implementation and the NYDFS enforcement efforts with respect to it, the PartnerRe U.S. Insurance Companies and other financial services companies may be required to incur significant expense in order to meet its requirements.

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Canada

Canadian branches of PartnerRe Bermuda and PartnerRe U.S. hold licenses to write reinsurance business in Canada. Each Canadian branch is authorized to insure, in Canada, risks falling within the classes of insurance and reinsurance as specified in their respective licenses and is limited to the business of reinsurance. The Canadian branch of PartnerRe Bermuda is licensed to write life business in Ontario. The Canadian branch of PartnerRe U.S. is licensed to write property and casualty business in Ontario. Each Canadian branch is subject to local regulation for its Canadian branch business, specified principally pursuant to Part XIII of the Insurance Companies Act (the Canadian Insurance Act) applicable to foreign property and casualty companies and to foreign life companies as well as relevant provincial insurance acts. Office of the Superintendent of Financial Institutions (OSFI) supervises the application of the Canadian Insurance Act.

PartnerRe Bermuda and PartnerRe U.S. maintain sufficient assets, vested in trust at a Canadian financial institution approved by OSFI, to allow their branches to meet minimum statutory solvency requirements as required by the Act and the regulations made under it. Certain statutory information is filed with federal and provincial insurance regulators in respect of both property and casualty and life business written by branches. This information includes, among other things, a yearly business plan and an annual Dynamic Capital Adequacy Test report from the Appointed Actuary of the branch that tests the adequacy of the assets that are vested under various adverse scenarios.

Singapore

The Monetary Authority of Singapore (MAS) regulates insurance and reinsurance companies authorized in Singapore, including PartnerRe Asia.

PartnerRe Asia is the principal reinsurance carrier for the Company's business underwritten in the Asia Pacific region, conducting general insurance business as a reinsurer and life insurance business as a reinsurer. PartnerRe Asia has an established operating branch in Labuan which is subject to regulation by the Labuan Financial Services Authority.

Significant aspects of the Singapore reinsurance regulatory framework and requirements include the following:

Solvency Requirements: As a licensed reinsurer, PartnerRe Asia is required to maintain minimum capital of SGD25 million. In addition, PartnerRe Asia is required to establish and maintain separate insurance funds for each class of business that it carries on for both Singapore and offshore policies. The solvency requirement in respect of each insurance fund shall at all times be not less than the total risk requirement of the fund (determined by reference to three components being insurance risks, asset portfolio risks and asset concentration risks). The MAS is entitled to require that a licensed reinsurer holds assets of a certain type and prescribed value in Singapore.

Reporting Requirements: PartnerRe Asia must file and submit annual audited financial statements in accordance with Singapore Financial Reporting Standards and related reports to the Accounting and Corporate Regulatory Authority (ACRA) together with an annual return of certain core corporate information. Changes to core corporate information during the year must also be notified to ACRA. These requirements are in addition to the regulatory returns required to be filed annually with the MAS.

Dividends and Distribution: Dividends are generally declared from unappropriated profits. The declaration of a dividend by PartnerRe Asia may be subject to relevant conditions and requirements being met as specified under the Insurance Act (Singapore) and its associated regulations. Any proposed reduction of capital or redemption of preference shares requires the prior approval of the MAS. In addition to the above, the laws and initiatives issued by the MAS regarding Corporate Governance, Outsourcings and Technology Risk Management currently impact or may impact Partner Re Asia in the future.

Taxation of the Company and its Subsidiaries

The following summary of the taxation of PartnerRe and its subsidiaries, PartnerRe Bermuda, PartnerRe Europe, PartnerRe Asia, and PartnerRe U.S. Corporation and its subsidiaries (collectively PartnerRe U.S. Companies) is based upon current law. Legislative, judicial or administrative changes may be forthcoming that could affect this summary. Certain subsidiaries, branch offices and representative offices of the Company are subject to taxation related to operations in Brazil, Canada, Chile, China, France, Hong Kong, Ireland, Labuan, Mexico, Singapore, Switzerland and the U.S. The discussion below covers the significant locations for which the Company or its subsidiaries are subject to taxation.

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Bermuda

PartnerRe Ltd. and PartnerRe Bermuda have each received from the Bermuda Minister of Finance an assurance under The Exempted Undertakings Tax Protection Act, 1966 of Bermuda, that in the event that any legislation is enacted in Bermuda imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to PartnerRe Ltd. or PartnerRe Bermuda or to any of their operations or the shares, debentures or other obligations of PartnerRe Ltd. or PartnerRe Bermuda until March 2035. These assurances are subject to the proviso that they are not construed to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda (PartnerRe Ltd. and PartnerRe Bermuda are not currently so designated) or to prevent the application of any tax payable in accordance with the provisions of The Land Tax Act, 1967 of Bermuda or otherwise payable in relation to the property leased to PartnerRe Bermuda.

Canada

The Canadian life branch of PartnerRe Bermuda, the Canadian non-life branch of PartnerRe U.S. and PartnerRe Life Reinsurance Company of Canada are subject to Canadian taxation on their profits. Their profits are taxed at the federal level, as well as the Ontario provincial level at a combined rate of 26.5% in 2017. See also the discussion of taxation in the United States below.

France

The French branch of PartnerRe Europe is conducting business in and is subject to taxation in France. Since January 1, 2016, the tax on corporate profits in France has been 34.43%.

The French Bill for 2018, enacted on December 30, 2017, includes a graduated decrease of the statutory corporate income tax rate from 34.43% in 2017 to 25.83% in 2022, including all applicable surtaxes. See also the discussion of taxation in Ireland below.

Ireland

The Company's Irish subsidiaries, PartnerRe Holdings Europe Limited, PartnerRe Europe, PartnerRe Ireland and PartnerRe Ireland Finance dac conduct business in and are subject to taxation in Ireland. Profits of an Irish trade or business are subject to Irish corporation tax at the rate of 12.5%, whereas profits arising from other than a trade or business are taxable at the rate of 25%. The Swiss, U.S. and French branches and subsidiaries of PartnerRe Europe are subject to taxation in Ireland at the Irish corporation tax rate of 12.5%. However, under Irish domestic tax law, the amount of tax paid in Switzerland, U.S. and France can be credited or deducted against the Irish corporation tax. As a result, the Company does not expect to incur significant taxation in Ireland with respect to the Swiss, U.S. and French branches.

Singapore

The Company's Singapore subsidiary, PartnerRe Asia, is subject to corporate taxation in Singapore at the rate of 17% on profits arising from onshore business and 10% on profits arising from offshore business. However, tax exemptions may apply to qualifying profits derived from certain lines of business.

Switzerland

The Swiss branch of PartnerRe Europe is subject to Swiss taxation, mainly on profits and capital. To the extent that net profits are generated, profits are taxed at a rate of 21.15%. The branch pays capital taxes at a rate of approximately 0.17% on its imputed branch capital calculated according to a procured taxation ruling. See also the discussion of taxation in Ireland above.

United States

PartnerRe U.S. Companies transact business in and are subject to taxation in the U.S. The Canadian non-life branch of PartnerRe U.S. conducts business in Canada and is subject to taxation in Canada as discussed above. Under U.S. tax law, the amount of tax paid in Canada by the Canadian non-life branch of PartnerRe U.S. can be credited or deducted against U.S. corporation tax.

In addition, PartnerRe Europe and PartnerRe Ireland writes certain U.S. facultative and Latin American business, through its U.S. reinsurance intermediaries. As a result, PartnerRe Europe is deemed to be engaged in a U.S. trade or business and thus is subject to taxation in the U.S. Finally, PartnerRe Capital Investments Corp. (PCIC) and PartnerRe Life Reinsurance Company of America (PRLA) are also U.S. corporations subject to taxation in the U.S. The current statutory rate of tax on corporate profits in the U.S. is 35%, reducing to 21% for tax years beginning after December

31, 2017. See the discussion of U.S. branch taxation below and the discussion of taxation in Ireland above.
On this basis, the Company does not expect that it and its subsidiaries, other than the PartnerRe U.S. Companies, PartnerRe Europe and PartnerRe Ireland for its U.S. intermediaries, PCIC and PRLA, will be required to pay U.S. corporate income taxes

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(other than withholding taxes as described below). However, because there is considerable uncertainty as to the activities that constitute a trade or business in the U.S., there can be no assurance that the IRS will not contend successfully that the Company or its non-U.S. subsidiaries are engaged in a trade or business in the U.S. The maximum federal tax rate is currently 35%, reducing to 21% for tax years beginning after December 31, 2017, for a corporation's income that is effectively connected with a trade or business in the U.S. In addition, U.S. branches of foreign corporations may be subject to the branch profits tax, which imposes a tax on U.S. branch after-tax earnings that are deemed repatriated out of the U.S., for a potential maximum effective federal tax rate of approximately 54%, 45% for tax years beginning after December 31, 2017, on the net income connected with a U.S. trade or business. Foreign corporations not engaged in a trade or business in the U.S. are subject to U.S. income tax, effected through withholding by the payer, on certain fixed or determinable annual or periodic gains, profits and income derived from sources within the U.S. as enumerated in Section 881(a) of the Internal Revenue Code, such as dividends and interest on certain investments.

For tax years beginning after December 31, 2017, the U.S. will impose a base erosion and anti-abuse tax (BEAT) on certain payments from entities subject to U.S. tax to related foreign persons, also referred to as base erosion payments. Base erosion payments generally include any amounts that are deductible, including reinsurance premiums ceded to a related foreign person. Entities that meet certain thresholds are required to pay the new minimum base erosion and anti-abuse tax. The minimum BEAT is based on the excess of a percentage of the entities' modified taxable income over its regular tax liability for the year, but the amount cannot be less than zero. The modified taxable income is taxed at 5% in 2018, 10% in 2019 through 2025, and 12.5% thereafter. This provision generally applies to entities that are subject to US net income tax with average annual gross receipts of at least $500 million and that have made foreign related-party deductible payments totaling 3% or more of the entities' total deductions for the year. The BEAT is effective for base erosion payments paid or accrued in taxable years beginning after 31 December 2017.

The U.S. also imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the U.S. The rate of tax applicable to reinsurance premiums paid to PartnerRe Bermuda is 1% of gross premiums.

Legal Proceedings

The Company's reinsurance subsidiaries, and the insurance and reinsurance industry in general, are subject to litigation and arbitration in the normal course of their business operations. In addition to claims litigation, the Company and its subsidiaries may be subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties. This category of business litigation typically involves, among other things, allegations of underwriting errors or omissions, employment claims or regulatory activity. While the outcome of business litigation cannot be predicted with certainty, the Company will dispute all allegations against the Company and/or its subsidiaries that management believes are without merit.

At December 31, 2017, the Company was not a party to any litigation or arbitration that it believes could have a material effect on the financial condition, results of operations or liquidity of the Company.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) requires an issuer to disclose in its annual or quarterly reports filed with the SEC whether the issuer or any of its affiliates have knowingly engaged in certain activities, transactions or dealing with the Government of Iran, relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the annual or quarterly report. Disclosure is required even when the activities were conducted outside the U.S. by non-U.S. entities and even when such activities were conducted in compliance with applicable law.

On January 16, 2016, the United States and the EU eased sanctions against Iran pursuant to the Joint Comprehensive Plan of Action, and many of the reportable activities, transactions and dealings under Section 13(r) are no longer subject to U.S. sanctions and no longer prohibited by applicable local law.

Certain of our non-U.S. reinsurance operations provide reinsurance treaty coverage to non-U.S. insurers of marine & energy risks as well as mutual associations of ship owners that provide their members with protection and liability coverage. As a result of the recent lifting of European sanctions on Iran, some of these insurers have informed us that they have begun shipping, or will begin to ship, cargo to and from Iran, including transporting crude oil,

petrochemicals and refined petroleum products. Because these non-U.S. subsidiaries insure or reinsure multiple voyages and fleets containing multiple ships, we are unable to attribute gross revenues and net profits from such policies to activities with Iran. As the activities of our insureds are permitted under applicable laws and regulations, the Company intends for its non-U.S. subsidiaries to continue providing such coverage to its insureds and reinsureds.

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Though the intermediary of non-Iranian brokers, a non-U.S. subsidiary of the Company, entered into:

- A four layers property excess of loss reinsurance treaty with Bimeh Iran which is an entity that has been identified as owned or controlled by the Government of Iran and appears on the List of Persons Identified as Blocked Solely Pursuant to Executive Order 13599. The agreement was executed in 2017 and coverage began on January 1, 2017 for one year. Expected gross revenue is €177 thousand (approximately $218 thousand) and expected net profit attributable to the contract is €47 thousand (approximately $58 thousand). The subsidiary intends to continue providing such coverage in accordance with applicable law.
- A three layers marine excess of loss reinsurance treaty with Bimeh Iran. The agreement was executed in 2017 and coverage began on July 1, 2017 for one year. Expected gross revenue is €129 thousand (approximately $160 thousand) and expected net profit attributable to the contract is €23 thousand (approximately $28 thousand). The subsidiary intends to continue providing such coverage in accordance with applicable law.
- A three layers property catastrophe excess of loss reinsurance treaty with an Iranian pool of insurers of which one member is Bimeh Iran. The agreement was executed in 2017 and coverage began on September 23, 2017 for one year. Expected gross revenue is IRR 4,635 million (approximately $124 thousand) and expected net loss attributable to the contract is IRR 4,947 million ($132 thousand). The subsidiary intends to continue providing such coverage in accordance with applicable law.

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C. Organizational Structure

On March 18, 2016, following receipt of regulatory approvals, the Company's publicly held common shares were acquired by Exor N.V., a subsidiary of EXOR S.p.A., one of Europe’s leading investment companies controlled by the Agnelli family.

In October 2016, Exor N.V. changed its name to EXOR Nederland N.V. In December 2016, EXOR S.p.A. merged with and into EXOR HOLDING N.V., a newly formed entity organized in the Netherlands and, in conjunction with the merger, EXOR HOLDING N.V. changed its name to EXOR N.V. EXOR N.V. is listed on the Milan Stock Exchange.

In addition to the Company, significant subsidiaries of EXOR N.V. include Fiat Chrysler Automobiles, CNH Industrial, Ferrari, The Economist Group and Juventus Football Club.

The Company’s principal operating subsidiaries at December 31, 2017 are as follows:

	Jurisdiction	Percentage Interest Held
Partner Reinsurance Company Ltd.	Bermuda	100%
Partner Reinsurance Europe SE	Ireland	100%
Partner Reinsurance Company of the U.S.	New York, United States	100%
Partner Reinsurance Asia Pacific Pte. Ltd.	Singapore	100%

See Exhibit 8.1 to this annual report on Form 20-F for a listing of all of the Company’s subsidiaries.

D. Property, Plants and Equipment

The Company leases office space in Hamilton (Bermuda) where its principal executive offices are located. Additionally, the Company leases office space in various other locations, principally in Dublin, Stamford, Connecticut in the U.S., Toronto, Paris and Zurich.

In 2017, the Company purchased from a related party certain real estate investments located in the U.K. See Note 19 to the Consolidated Financial Statements in Item 18 for further details.

ITEM 4.A UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussions should be read in conjunction with our consolidated financial statements for the years ended December 31, 2017, 2016 and 2015 in Item 18 of this report.

The financial results below are presented in U.S. dollars as the reporting currency. The financial information presented below is based on, or has been derived from the U.S. GAAP Consolidated Financial Statements presented in Item 18 of this report.

This discussion includes forward-looking statements, which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See G. Safe Harbor section below and Risk Factors in Item 3 of this report for a discussion of risks and uncertainties.

Executive Overview

The Company is a leading global reinsurer, with a broadly diversified and balanced portfolio of traditional reinsurance risks and capital markets risks. The Company has three segments: P&C, Specialty, Life and Health (see Results by Segment below).

The Company is in the business of assessing and assuming risk for an appropriate return. The Company creates value through its ability to understand, evaluate, diversify and distribute risk. The Company's 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 the cedant’s need for confidence of claims payment with shareholder needs for an appropriate return on their capital.

The Company's long-term objective is to manage a portfolio of diversified risks that will create shareholder value. The Company's profitability in any particular period can be significantly affected by large catastrophic or other large losses and the

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impact of changes in interest rates on the fair value of investments (see Key Factors Affecting Year-over-Year Comparability below). Accordingly, the Company’s performance during any particular period is not necessarily indicative of its performance over the longer-term reinsurance cycle.

Industry Environment, Strategic Initiatives and Capital Management

In spite of the challenging and limited growth environment experienced in the reinsurance industry for a number of years, the need for reinsurance is not diminishing. To the contrary, the reinsurance environment is becoming more and more complex, as the traditional forms of risk are increasingly exposed to globalization and urbanization and new forms of risks develop (such as cyber, geopolitical and supply chain). Factors such as a high protection gap in the Non-life and Life and Health reinsurance and emerging markets, as well as primary insurers needs to reduce volatility in earnings, further increase the need for reinsurance. While the alternative capital market has been growing, it cannot replace traditional reinsurers whose balance sheets can absorb risks more efficiently, especially in medium and long tail lines of business.

The Company believes that overall, reinsurance will broadly remain a cyclical market, albeit of less amplitude, primarily as a result of excess capital, and that the cycles will become more specific and local, with less global amplitude. The Company's strategy is to focus on reinsurance of business written by our cedants, and not compete with our clients through directly writing or assuming insurance risks.

Among the Company's strategic priorities are growing the non-life footprint with selected clients and brokers, using retrocession to enhance balance sheet and relevance, and growing the Life and Health book in targeted product segments and geographies. The Company is focused on striking the right balance between top down and bottom up risk selection by broadening scope and client penetration for well-understood, efficient risk classes and keeping a selective approach for less predictable risk patterns.

During 2017, the Company continued to execute its growth strategy in the Life and Health segment by completing the acquisition of Aurigen expanding its life reinsurance footprint in Canada and the U.S. In addition, as a result of the reorganization of the Company's support units and initiated other cost-saving initiatives following the closing of the acquisition by Exor N.V., the Company has achieved operational cost savings.

See Risk Factors in Item 3 of this report for a description of risks that may affect our business.

The following discussion provides an overview of business operations, trends and the outlook for 2018 with respect to each of the Company’s Non-life, Life and Health and Investment operations.

Non-life reinsurance operations, trends and 2018 outlook

The Company generates its non-life reinsurance revenue from premiums. Premium rates and overall terms and conditions vary depending on market conditions. Pricing cycles are driven by supply of capital in the industry and demand for reinsurance and insurance and other risk transfer products. The reinsurance business is also influenced by several other factors, including variations in interest rates and financial markets, changes in legal, regulatory and judicial environments, loss trends, inflation and general economic conditions.

In an increasingly competitive market environment, and considering increased regulatory and rating agency expectations, the Company continues to focus on its risk management strategy, financial strength, underwriting selection process and global presence. The Company removes the volatility associated with those risks from the client, and then manages those risks and the risk-related volatility. Through its broad product and geographic diversification, the Company is able to achieve portfolio diversification of risks, and its execution capabilities and global presence enables the Company to respond quickly to market needs.

A key challenge facing the Company is successfully managing risk through all phases of the reinsurance cycle. The Company believes that its long-term strategy of closely monitoring and being selective in the business that it writes, and maintaining the diversification and balance of its portfolio, will optimize returns over the reinsurance cycle. Individual businesses and markets have their own unique characteristics and are at different stages of the reinsurance pricing cycle at any given point in time. Management believes the Company has an appropriate portfolio diversification by product, geography, type of business, length of tail and distribution channel. Further, management believes that this diversification, in addition to the financial strength of the Company and its strong global franchise, will help to mitigate cyclical declines in underwriting profitability.

The Non-life reinsurance market has historically been highly cyclical in nature as evidenced by hard and soft markets. For many years, with the exception of lines and markets impacted by specific catastrophic or large loss events, the Company has been experiencing a soft market with general decreases in pricing and profitability. Following recent large catastrophe losses during the third and fourth quarters of 2017, the catastrophe exposed business has experienced price increases. However, the availability of capital is reducing the amplitude of cycles compared to the past.

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The Company writes a large majority of its business on a treaty basis and the majority of the non-life treaty business renews on January 1. The remainder of this business renews at other times during the year. In addition to treaty business, the Company writes direct and facultative business which renews throughout the year.
The outlooks for 2017 for each of the P&C and Specialty segments are summarized as follows:
2018 P&C Segment Outlook
During the January 1, 2018 renewals, the Company observed improving pricing, with a double-digit rate increase in North America property catastrophe rates along with improving profit margins in other P&C segments globally. The expected premium volume from the Company’s January 1, 2018 renewals, at constant foreign exchange rates, increased compared to the prior year renewal. As a result of the persisting competition and excess capacity in the industry, it is not possible to forecast if improving pricing conditions will continue in the future.
2018 Specialty Segment Outlook
During the January 1, 2018 renewals, the Company generally observed improved pricing in most lines of business within the Specialty segment. The expected premium volume from the Company’s January 1, 2018 renewal, at constant foreign exchange rates, increased compared to the prior year renewal. As a result of the persisting competition and excess capacity in the industry, it is not possible to forecast if improving pricing conditions will continue in the future.
Life and Health reinsurance operations, trends and 2018 outlook
The Company’s Life and Health segment derives revenues primarily from premiums. Within the Life and Health segment, the Company writes mortality, longevity, and accident and health products. Management believes the Life and Health business provides the Company with diversification benefits and balance to its portfolio as they are generally not correlated to the Company’s Non-life business.
The profitability of the life and accident and health business mainly depends on the volume and amount of death claims incurred, medical claims and expenses, and the ability to adequately price the risk the Company assumes. The majority of the life premium arises from long-term in-force contracts. The life reinsurance policies are often in force for the remaining lifetime of the underlying individuals insured, with premiums earned typically over a period of 10 to 30 years. The volume of the business may be reduced each year by lapses, voluntary surrenders, death of insureds and recaptures by ceding companies. While death claims are reasonably estimated over a period of many years, claims become less predictable over shorter periods and can fluctuate significantly from period to period. Similarly, while the volume of medical claims can be predicted to a certain extent, the amount of claims and expenses depends on various factors, primarily healthcare inflation rates, driven by a shift towards the older population, reliance on expensive medical equipment and technology, and changes in demand for healthcare services over time.
Compared to the Non-life markets, the Life and Health reinsurance markets are more concentrated, with fewer market participants.
2018 Life and Health Outlook
The January 1, 2018 renewal for Life business is not relevant, as it only impacts the short-term mortality in-force premium, which is a relatively limited portion of the Life portfolio. Management expects moderate continued growth in the Company’s Life portfolio in 2018 assuming constant foreign exchange rates, mainly due to growth in Canada following the Aurigen acquisition. Pricing conditions are not expected to materially differ from 2017. The renewal of the Company's Health business was relatively stable compared to the prior year as a result of non-renewal of certain business being offset by rate increases.
Investment operations, trends and 2018 outlook
The Company generates revenue from its high quality investment portfolio through net investment income, including interest on fixed maturities, interest in earnings of equity method investments, and realized and unrealized gains on investments.
For the Company’s investment risks, which include public, private market and real estate investments, diversification of risk is critical to achieving the risk and return objectives of the Company.
The Company allocates its invested assets into two categories: liability funds and capital funds. The Company’s investment policy distinguishes between liquid, high quality (investment grade) assets that support the Company’s liabilities, and the more diversified, higher risk asset classes that are allowed within the Company’s capital funds (see

B. Liquidity and Capital Resources below for a discussion of liability and capital funds).
While there will be periods where such investments may earn less than the risk-free rate of return, or potentially produce negative results, the Company believes the rewards for assuming these risks in a disciplined and measured way will produce a

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positive excess return to the Company over time. Additionally, since a portion of our investment risks are not fully correlated with the Company's reinsurance risks, this increases the overall diversification of the Company's total risk portfolio.

The Company follows prudent investment guidelines through a strategy that seeks to maximize returns while managing investment risk in line with the Company's overall objectives of earnings stability and long-term book value growth. A key challenge for the Company is achieving the right balance in changing market conditions. The Company regularly reviews the allocation of investments to asset classes within its investment portfolio and its funds held–directly managed account and allocates investments to those asset classes the Company anticipates will outperform in the future, subject to limits and guidelines. Similarly, the Company reduces its exposure to asset classes where returns are deemed unattractive. The Company may also lengthen or shorten the duration of its fixed maturity portfolio in anticipation of changes in interest rates, or increase or decrease the amount of credit risk it assumes, depending on credit spreads and anticipated economic conditions.

In 2017, the Company's investment portfolio benefited by a market environment characterized by relatively low volatility, and positive performance of most asset classes, particularly at the higher end of the risk spectrum. In particular, the Company benefited from positive performances in public and private equity, as well as in real estate. Compression of credit spreads resulted in gains in the investment-grade corporate bond portfolio, more than offsetting the losses generated by the moderate increase in U.S. risk-free rates.

Assuming constant foreign exchange rates and absence of negative cash flows related to catastrophic or large loss events, management expects net investment income in 2018 to be comparable to 2017.

A. Operating Results

Following the acquisition of the Company's common shares by Exor N.V. (subsequently renamed EXOR Nederland N.V.) in March 2016, all of the Company's publicly traded common shares and all treasury shares were canceled. At December 31, 2017 and 2016, EXOR Nederland N.V. holds 100% of the 100 million Class A shares of $0.00000001 par value each for a total share capital of $1.00. Accordingly, per share data is not considered meaningful and is no longer presented by the Company.

Key Factors Affecting Year-over-Year Comparability

The key factors affecting the year-over-year comparability of the Company's results for the years ended December 31, 2017, 2016 and 2015 include large catastrophic and large loss events, volatility in capital markets and non-recurring other expenses. These factors may continue to affect our results of operations and financial condition in the future.

Large Catastrophic and Large Loss Events

As the Company's reinsurance operations are exposed to low-frequency and high-severity risk events, some of which are seasonal, results for certain periods may include unusually low loss experience, while results for other periods may include modest or significant loss experience driven by catastrophic losses. The Company considers losses greater than $35 million, net of retrocession and reinstatement premiums, to be large catastrophic or large loss events.

The combined impact of the large catastrophic and large losses on the Company's operating results for the years ended December 31, 2017, 2016 and 2015 was as follows (in millions of U.S. dollars):

	2017			2016			2015		
	P&C segment	Specialty segment	Total Non-life[1]	P&C segment	Specialty segment	Total Non-life[2]	P&C segment	Specialty segment	Total Non-life[3]
Large catastrophic and large losses	$508	$ 61	$ 569	$110	$ 46	$ 156	$37	$ 22	$ 59
Impact on combined ratio			15.4 %			4.0 %			1.5 %

(1) Large catastrophic and large losses for 2017 are net of retrocession and reinstatement premiums and were comprised of $449 million related to the 2017 Hurricanes and $120 million related to the California Wildfires.

(2) Large catastrophic and large losses for 2016 are net of retrocession and reinstatement premiums and were comprised of $69 million related to the Canadian Wildfires, $45 million related to Hurricane Matthew and $42 million related to the Ghana energy loss.

(3) Large losses of $59 million for 2015 are net of retrocession and represent losses related to the Tianjin Explosion.

The combined ratio is presented and defined in Note 20 to the Consolidated Financial Statements in Item 18 of this report.

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Volatility in Capital Markets

Operating results for the years ended December 31, 2017, 2016 and 2015 were significantly impacted by the volatility in the capital markets with the Company reporting net realized and unrealized gains (losses) on investments in net income as follows (in millions of U.S. dollars):

Year ended December 31,	Total
2017	$232
2016	$26
2015	$(297)

In 2017, corporate bond spreads narrowed, equity markets increased and U.S. risk-free rates increased, resulting in a net realized and unrealized gain on investments recorded in net income.

In 2016, U.S. risk-free interest rates increased at the end of the year and credit spreads narrowed compared to December 31, 2015, resulting in a modest net realized and unrealized gain on investments recorded in net income.

In 2015, U.S. risk-free interest rates increased, credit spreads widened and worldwide equity markets deteriorated. The result of these movements was a net realized and unrealized loss on investments recorded in net income.

Other Expenses

The results for the years ended December 31, 2017, 2016 and 2015 were significantly impacted by certain expenses that are reasonably expected to not recur, included within Other expenses, as follows (in millions of U.S. dollars):

Year ended December 31,	Total
2017	$33
2016	$128
2015	$411

See Review of Net Income below and Note 21 to the Consolidated Financial Statements in Item 18 for further details of the non-recurring expenses noted above.

Foreign Exchange Movements

The Company's reporting currency is the U.S. dollar. The Company's significant subsidiaries and branches have one of the following functional currencies: U.S. dollar, Euro or Canadian dollar. As a significant portion of the Company's operations is transacted in foreign currencies, fluctuations in foreign exchange rates may affect year-over-year comparisons. To the extent that fluctuations in foreign exchange rates affect comparisons, their impact has been quantified, when possible, and discussed throughout this annual report. See Note 2(m) to the Consolidated Financial Statements in Item 18 of this report for a discussion of translation of foreign currencies.

The foreign exchange fluctuations for the principal currencies in which the Company transacts business were as follows:

- the U.S. dollar ending exchange rate weakened against most currencies at December 31, 2017 compared to December 31, 2016;
- the U.S. dollar average exchange rate for the year weakened against most major currencies with the exception of GBP and the Japanese yen which strengthened, in 2017 compared to 2016; and
- the U.S. dollar average exchange rate for the year was stronger against most currencies, except the Japanese yen, in 2016 compared to 2015.

The above fluctuations impacted individual line items of the Company's Consolidated Statement of Operations, however, the overall net impact is not significant due to the matching of assets and liabilities by currency and due to the hedging of material foreign exchange exposures. See also section B. Liquidity and Capital Resources—Currency below for a discussion of the impact of foreign exchange movements on the Consolidated Balance Sheets.

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Review of Net Income

The components of net income for the years ended December 31, 2017, 2016 and 2015 are presented in the Company's Consolidated Statements of Operations, and the breakdown by segment in Note 20 to the Consolidated Financial Statements in Item 18 of this report.

Management analyzes the Company's net income in three parts: underwriting result, investment result and other components of net income or loss not allocated to the Company's Non-life and Life and Health segments (included in Corporate and Other component). These components for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars):

	2017	2016	2015
Underwriting result	(88)	252	619
Investment result	720	414	159
Corporate and Other	$(368)	$(219)	$(671)
Net income	$264	$447	$107

The components of net income, and changes for the years presented above, are described below.

Underwriting Result

Underwriting result consists of net premiums earned and other income less losses and loss expenses, acquisition costs and other expenses. Underwriting result is a primary measure of underlying profitability for the Company's core reinsurance operations, separate from the investment results, and is used to manage and evaluate the Company's Non-life segments (P&C and Specialty) and Life and Health segment. The Company believes that in order to enhance the understanding of its profitability, it is useful for our shareholders and other users of this report to evaluate the components of net income or loss separately and in the aggregate. Underwriting result should not be considered a substitute for net income or loss and does not reflect the overall profitability of the business, which is also impacted by investment results and other items.

The Non-life and Life and Health underwriting results for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars):

	2017	2016	2015
Non-life	$24	$249	$584
Life and Health	(112)	3	35
Total underwriting result	(88)	252	619

The Non-life and Life and Health underwriting results for the years ended December 31, 2017, 2016 and 2015 were comprised as follows (in millions of U.S. dollars):

	2017			2016			2015		
	Total Non-life	Life and Health	Total	Total Non-life	Life and Health	Total	Total Non-life	Life and Health	Total
Technical result	$ 129	$(65)	$64	$476	$ 59	$535	$803	$ 92	$895
Other (loss) income[1]	(1)	14	13	2	10	12	—	6	6
Other expenses[1]	(104)	(61)	(165)	(229)	(66)	(295)	(219)	(63)	(282)
Underwriting result	$ 24	$(112)	$(88)	$249	$ 3	$252	$584	$ 35	$619

(1) Other income or loss and other expenses above represent expenses allocated to the segments and include direct expenses and certain other expenses that vary with the volume of business. The indirect fixed costs are not allocated to segments and are presented in Corporate and Other below.

Non-life segments

The Non-life underwriting result and combined ratio for 2017 primarily reflected large catastrophic losses related to the 2017 Hurricanes and California Wildfires. The Non-life combined ratio benefited from net favorable prior year development of $448 million (12.2 points on the combined ratio) with both the P&C and Specialty segments experiencing net favorable development.

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The Non-life underwriting result and combined ratio for 2016 primarily reflected losses from the Canadian wildfires, hurricane Matthew and an energy loss. The Non-life combined ratio benefited from net favorable prior year development of $677 million (17.6 points on the combined ratio) for 2016, with both the P&C and Specialty segments experiencing net favorable development.

The Non-life underwriting result and combined ratio in 2015 reflected increasingly competitive pricing and conditions, resulting in higher downward prior year premium adjustments and large losses related to the Tianjin Explosion. The net favorable prior year development of $831 million (20.5 points on the combined ratio) was driven by both Non-life segments.

Life and Health segment

The underwriting loss in the Life and Health segment in 2017 was primarily due to losses in Health, partially offset by gains in Life.

The underwriting gain in 2016 and 2015 was due to positive contribution from both Life and Health business, driven by favorable prior year development.

See Results by Segment below for further details and Note 8(a) to the Consolidated Financial Statements in Item 18 of this report for a further discussion of the reserve development related to prior accident years.

Investment Result

Investment result consists of net investment income, net realized and unrealized investment gains or losses and interest in earnings or losses of equity method investments. Net investment income includes interest, dividends and amortization of premiums and discounts on fixed maturities and short-term investments, rental income on investments in real estate as well as investment income on funds held and funds held–directly managed, and is net of investment expenses, generated by the Company's investment activities, and withholding taxes. Net realized and unrealized investment gains or losses include sales of the Company's fixed income, equity and other invested assets and investments underlying the funds held–directly managed account and changes in net unrealized gains or losses. Interest in earnings or losses of equity method investments represents the Company's aggregate share of earnings or losses related to several private placement investments and limited partnership interests.

The components of the investment result for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars):

	2017	2016	2015
Net investment income	402	411	450
Net realized and unrealized investment gains (losses)	232	26	(297)
Interest in earnings (losses) of equity method investments	86	(23)	6
Total investment result	720	414	159

Net Investment Income

Net investment income by asset source for the years ended December 31, 2017, 2016 and 2015 was as follows (in millions of U.S. dollars):

	2017	2016	2015
Fixed maturities, short-term investments and cash and cash equivalents	$388	$398	$426
Equities	—	4	31
Funds held and other	29	34	27
Funds held–directly managed	8	10	12
Investment expenses	(23)	(35)	(46)
Net investment income	$402	$411	$450

2017 compared to 2016

Net investment income decreased in 2017 compared to 2016 due to the partial sale of the principal finance portfolio in the fourth quarter of 2016, which was partially offset by the inclusion of Aurigen's portfolio, increases in reinvestment rates in the U.S. and Canada, a higher allocation to investment grade corporate bonds and lower investment expenses during the year.

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2016 compared to 2015

Net investment income decreased in 2016 compared to 2015 due to lower income from fixed income securities, the strengthening of the U.S. dollar against most major currencies (which resulted in a 2% decrease in net investment income) and a decrease from equities, primarily due to a change in investment portfolio composition. These decreases were partially offset by lower investment expenses.

Net Realized and Unrealized Investment Gains (Losses)

The Company's portfolio managers have a total return investment objective, achieved through a combination of optimizing current investment income and pursuing capital appreciation. To meet this objective, it is often desirable to buy and sell securities to take advantage of changing market conditions and to reposition the investment portfolios. Accordingly, recognition of realized gains and losses is considered by the Company to be a normal consequence of its ongoing investment management activities. In addition, the Company recognized changes in fair value for substantially all of its investments as changes in unrealized investment gains or losses in its Consolidated Statements of Operations. Realized and unrealized investment gains and losses are generally a function of multiple factors, with the most significant being prevailing interest rates, credit spreads and equity market conditions.

The components of net realized and unrealized investment gains (losses) for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars):

	2017	2016	2015
Net realized investment gains	22	103	172
Change in net unrealized investment gains or losses	210	(77)	(469)
Net realized and unrealized investment gains (losses)	$232	$26	$(297)

The net realized and unrealized investment gains of $232 million in 2017 were primarily due to narrowing of corporate bond spreads and increases in equity markets, partially offset by increases in U.S. risk-free interest rates. Net realized investment gains were primarily driven by gains on fixed maturities and short-term investments and net unrealized gains were primarily driven by fixed maturities and short-term investments, equities and other invested assets.

The net realized and unrealized investment gains of $26 million in 2016 were primarily due to narrowing of credit spreads, partially offset by increases in U.S. risk-free interest rates at the end of the year. Net realized investment gains in 2016 were primarily driven by gains on fixed maturities and short-term investments and net unrealized losses were primarily driven by fixed maturities and short-term investments.

The net realized and unrealized investment losses of $297 million in 2015 were primarily due to increases in U.S. risk-free interest rates, the widening of credit spreads, decreases in worldwide equity markets and realized losses on treasury note futures. Net realized investment gains in 2015 were primarily driven by gains on equities and net unrealized losses were primarily driven by equities and fixed maturities and short-term investments.

See also Note 3 to the Consolidated Financial Statements in Item 18 for further details.

Interest in Earnings (Losses) of Equity Method Investments

The interest in earnings in equity method investments of $86 million in 2017 was primarily due to a significant gain related to Almacantar, a privately held real estate investment and development group.

The losses of $23 million in 2016 and gains of $6 million in 2015 were due to the Company's aggregate share of earnings or losses related to several private placement investments and limited partnerships.

Corporate and Other

The following are components of net income (in millions of U.S. dollars) that the Company does not allocate to segments, in line with the way the Company manages its business, as described above.

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	2017	2016	2015
Other income not allocated to the segments[1]	2	3	3
Other expenses not allocated to the segments	(183)	(177)	(509)
Interest expense	(42)	(49)	(49)
Loss on redemption of debt	(2)	(22)	—
Amortization of intangible assets	(25)	(26)	(27)
Net foreign exchange (losses) gains	(108)	78	(9)
Income tax expense	(10)	(26)	(80)
Corporate and Other	$(368)	$(219)	$(671)

(1) Other income includes income on insurance-linked securities. Other income for 2017 also includes a bargain purchase gain on the Aurigen acquisition of less than $1 million. Other income for 2016 and 2015 also includes principal finance transactions within the investment portfolio.

Other Expenses

The Company allocates direct expenses and certain other expenses that vary with the volume of business to its operating segments. These expenses are included in underwriting result above and are presented in Results by Segment below. The indirect fixed costs are not allocated to segments and are presented in Corporate and Other.

The Company's total other expenses, included in the underwriting result and in Corporate and other, for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars, except ratios):

	2017	2016	2015
Other expenses, as reported	$ 348	$ 472	$ 791
Other transaction and severance related costs	(33)	(128)	(411)
Other expenses, as adjusted for various transaction and severance related costs	$ 315	$ 344	$ 380
Other expenses, as adjusted, as a % of total net premiums earned	6.3%	6.9%	7.2%

2017 compared to 2016

Other expenses, as reported, decreased by $124 million, or 26%, in 2017 compared to 2016 primarily due to the efficiency actions undertaken following the closing of the acquisition by Exor N.V. and lower reorganization and transaction costs, partially offset by the inclusion of Aurigen expenses. In 2017, other expenses include $33 million of transaction costs primarily related to the reorganization costs and the acquisition of Aurigen (see Note 21 to the Consolidated Financial Statements in Item 18 of this report for further details).

2016 compared to 2015

Other expenses, as reported, decreased by $319 million, or 40%, in 2016 compared to 2015 primarily due to a termination fee and reimbursement of expenses of $315 million to Axis Capital Holdings Limited (Axis) for terminating an amalgamation agreement previously entered into in January 2015. The Company also expensed $71 million of other transaction and reorganization related costs in addition to $25 million pursuant to an earn-out agreement with former shareholders of Presidio.

In addition, other transaction and severance related costs were $57 million higher in 2016 compared to 2015, primarily as a result of the closing of the acquisition by Exor N.V. in March 2016 and costs related to the reorganization of the

Company’s operations (see Note 21 to the Consolidated Financial Statements in Item 18 of this report for further details).

Interest Expense

Interest expense in 2017 decreased compared to 2016 and 2015 due to the optimization of the Company's capital structure through the issuance of a 750 million Euro-denominated bond in September 2016 and the redemption of certain high coupon senior notes and preferred shares during the fourth quarter of 2016 (see below and Note 10 to Consolidated Financial Statements in Item 18 of this report for further details).

Loss on Redemption of Debt

The loss on redemption of debt in 2017 and 2016 relates to debt settled by Aurigen in 2017 and redemption of the $250 million 2008 senior notes in 2016, representing a make whole provision related to future interest foregone as a result of the early

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retirement (see Note 10 to the Consolidated Financial Statements in Item 18 for further details of the Company's redemption of senior notes).

Amortization of Intangible Assets

Amortization of intangible assets relates to intangible assets acquired upon acquisition of Paris Re in 2009, Presidio in 2012 and Aurigen in 2017. See Note 7 to the Consolidated Financial Statements in Item 18 for further details of the Company's intangible assets and amortization.

Net Foreign Exchange Losses (Gains)

The Company hedges a significant portion of its currency risk exposure as discussed in Quantitative and Qualitative Disclosures about Market Risk in Item 11 of this report.

The net foreign exchange losses in 2017 resulted primarily from the impact of the weakening of the U.S. dollar on certain unhedged non-U.S. denominated liabilities and the cost of hedging activities.

The net foreign exchange gains in 2016 resulted primarily from the impact of the strengthening of the U.S. dollar on certain unhedged non-U.S. denominated liabilities, partially offset by the cost of hedging activities.

The net foreign exchange losses in 2015 resulted primarily from the impact of the strengthening of the U.S. dollar on certain unhedged non-U.S. denominated investment portfolios, partially offset by gains related to the timing of hedging activities and the difference in forward points embedded in the Company's hedges.

Income Taxes

The effective income tax rate, which the Company calculates as income tax expense or benefit divided by net income or loss before taxes, may fluctuate significantly from period to period depending on the geographic distribution of pre-tax net income or loss in any given period between different jurisdictions. The geographic distribution of pre-tax net income or loss can vary significantly between periods due to, but not limited to, the following factors: the business mix of net premiums earned, the geographic location, quantum and nature of net losses and loss expenses and life policy benefits incurred, the quantum and geographic location of other expenses, net investment income, net realized and changes in unrealized investment gains and losses and the quantum of specific adjustments to determine the income tax basis in each of the Company's operating jurisdictions. In addition, a significant portion of the Company's gross and net premiums are written and earned in Bermuda, a non-taxable jurisdiction, including the majority of the Company's catastrophe business, which can result in significant volatility in the Company's pre-tax net income or loss from period to period.

The Company's income tax expense and effective income tax rate for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars):

	2017	2016	2015
Income tax expense	$10	$26	$80
Effective income tax rate	3.8 %	5.5 %	42.6%

Income tax expense and the effective income tax rate during 2017, 2016 and 2015 were primarily driven by the geographic distribution of the Company's pre-tax net income between its various jurisdictions.

The recent enactment of the Tax Cuts and Jobs Act in the U.S. resulted in a charge of $5 million in the fourth quarter of 2017.

In 2016, the income tax expense included a tax benefit of $29 million recorded following the favorable outcome of certain tax litigation and favorable adjustments related to certain tax-exempt bonds.

In 2015, the Company's non-taxable jurisdictions recorded a pre-tax net loss with no associated tax benefit, driven primarily by the termination fee and reimbursement of expenses paid to Axis of $315 million.

Results by Segment

The Company monitors the performance of its operations in three segments: P&C, Specialty and Life and Health. See the description of the Company's segments, including a discussion of how the Company measures its segment results, in Note 20 to the Consolidated Financial Statements included in Item 18 of this report.

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P&C Segment

The components of the technical result, which is calculated as net premiums earned less losses and loss expenses and acquisition costs, and the corresponding ratios, which are calculated as a percentage of net premiums earned, for the P&C segment for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars, except ratios):

	2017	2016	2015
Gross premiums written	$2,255	$2,269	$2,371
Net premiums written	$1,996	$2,061	$2,236
Net premiums earned	$1,963	$2,086	$2,240
Losses and loss expenses[(1)]	(1,620)	(1,248)	(1,129)
Acquisition costs	(495)	(556)	(570)
Technical result	$(152)	$282	$541
Other income	—	3	—
Other expenses	(71)	(141)	(137)
Underwriting result	$(223)	$144	$404
Loss ratio	82.6 %	59.8 %	50.4 %
Acquisition ratio	25.2	26.7	25.4
Technical ratio	107.8 %	86.5 %	75.8 %
Other expense ratio	3.6	6.7	6.2
Combined ratio	111.4 %	93.2 %	82.0 %

(1) See Liquidity and Capital Resources—Non-life and Life and Health Reserves—Non-life reserves below and Note 8 to the Consolidated Financial Statements in Item 18 of this report for an analysis of losses and loss expenses.

Premiums

The P&C segment represented 39%, 42% and 43% of total net premiums written in 2017, 2016 and 2015, respectively. Business reported in this segment is, to a significant extent, originally denominated in foreign currencies and is reported in U.S. dollars. The U.S. dollar can fluctuate significantly against other currencies and this should be considered when making year to year comparisons.

2017 compared to 2016

The decrease in gross premiums written resulted primarily from cancellations and renewal changes in all lines, which were partially offset by new business written and a higher level of gross reinstatement premiums related to the large catastrophic losses. Net premiums written and earned decreased due to the same factors driving the decrease in gross premiums written, in addition to higher premiums ceded in the catastrophe portfolio.

2016 compared to 2015

The decrease in gross premiums written resulted primarily from foreign exchange movements and cancellations and non-renewals due to continued pressure on pricing and increased retentions by clients, which were partially offset by new business written. Net premiums written and earned decreased due to the same factors driving the decrease in gross premiums written, in addition to higher premiums ceded in the catastrophe portfolio.

Technical and underwriting result and related ratios

2017 compared to 2016

The decrease in the technical result (and the corresponding increase in the technical ratio) in 2017 compared to 2016 was primarily driven by a higher level of large catastrophic losses related to the 2017 Hurricanes and the California Wildfires compared to large catastrophic losses related to the Canadian Wildfires and Hurricane Matthew during 2016, and a lower level of favorable prior year loss development. The increase in the underwriting loss (and a corresponding increase in the combined ratio) was driven by the decrease in the technical result, partially offset by a decrease in other expenses allocated to the P&C segment as a result of the efficiency actions undertaken following the closing of the acquisition by Exor N.V.

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2016 compared to 2015

The decrease in the technical result and the underwriting results (and the corresponding increase in the technical and combined ratios) in 2016 compared to 2015 was primarily attributable to a higher level of mid-sized loss activity, large catastrophic losses related to the Canadian Wildfires and Hurricane Matthew during 2016 compared to the Tianjin Explosion in 2015 and a lower level of favorable prior year loss development.

Specialty Segment

The components of the technical result, which is calculated as net premiums earned less losses and loss expenses and acquisition costs, and the corresponding ratios, which are calculated as a percentage of net premiums earned, for the Specialty segment for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars, except ratios):

	2017	2016	2015
Gross premiums written	$1,934	$1,920	$1,906
Net premiums written	$1,780	$1,776	$1,786
Net premiums earned	$1,725	$1,767	$1,820
Losses and loss expenses[1]	(955)	(1,073)	(1,064)
Acquisition costs	(489)	(500)	(494)
Technical result	$281	$194	$262
Other (loss) income	(1)	(1)	—
Other expenses	(33)	(88)	(82)
Underwriting result	$247	$105	$180
Loss ratio	55.4 %	60.8 %	58.5 %
Acquisition ratio	28.4	28.3	27.1
Technical ratio	83.8 %	89.1 %	85.6 %
Other expense ratio	1.9	4.9	4.5
Combined ratio	85.7 %	94.0 %	90.1 %

(1) See Liquidity and Capital Resources—Non-life and Life and Health Reserves—Non-life reserves in Item 5 and Note 8 to the Consolidated Financial Statements in Item 18 of this report for an analysis of losses and loss expenses.

Premiums

The Specialty segment represented 35%, 36% and 34% of total net premiums written in 2017, 2016 and 2015, respectively. Business reported in this segment is, to a significant extent, originally denominated in foreign currencies and is reported in U.S. dollars.

2017 compared to 2016

The increase in gross premiums written was driven primarily by new business written and renewal changes. These increases were largely offset by cancellations and the impact of foreign exchange. Net premiums written increased due to the same factors driving the increase in gross premiums written, partially offset by higher premiums ceded in 2017 under new and existing contracts.

2016 compared to 2015

The increase in gross premiums written was driven primarily by the impact of foreign exchange, new business written and a lower level of downward prior year premium adjustments in 2016 compared to 2015. These increases were partially offset by cancellations, reduced participations and changes in underlying cedant premium. Net premiums written and earned decreased largely due to higher premiums ceded in 2016.

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Technical and underwriting result and related ratios

2017 compared to 2016

The increase in the technical result (and the corresponding decrease in the technical ratio) in 2017 compared to 2016 was primarily attributable to lower mid-sized and attritional losses in the current accident year, partially offset by large catastrophic losses related to the 2017 Hurricanes and the California Wildfires, and lower prior year loss development in 2017. The increase in the underwriting result (and a corresponding decrease in the combined ratio) was driven by the increase in the technical result, partially offset by a decrease in other expenses allocated to the Specialty segment as a result of the efficiency actions undertaken following the closing of the acquisition by Exor N.V.

2016 compared to 2015

The decrease in the technical and underwriting results (and the corresponding increase in the technical and combined ratios) in 2016 compared to 2015 was primarily attributable to a lower level of favorable prior year loss development, large catastrophic losses related to Hurricane Matthew and the Ghana energy loss in 2016 and a marginal increase in the acquisition cost ratio, mainly related to profit commission adjustments in agriculture reflecting favorable experience, partially offset by a lower level of mid-sized loss activity during 2016 compared to 2015.

Life and Health Segment

The Company provides reinsurance coverage to primary life insurers and pension funds to protect against individual and group mortality and disability risks. Mortality business is written primarily on a proportional basis through treaty agreements and is subdivided into death and disability covers (with various riders), term assurance and critical illness (TCI) and guaranteed minimum death benefit (GMDB). The Company also writes certain treaties on a non-proportional basis.

The Company provides reinsurance coverage to employer sponsored pension schemes and primary life insurers who issue annuity contracts offering long-term retirement benefits to consumers, who, in turn, seek protection against outliving their financial resources. Longevity business is written on a long-term, proportional basis. The Company's longevity portfolio is subdivided into standard and non-standard annuities. The non-standard annuities are annuities sold to consumers with aggravated health conditions and are usually medically underwritten on an individual basis. The main risk the Company is exposed to by writing longevity business is an increase in the future life span of the insured compared to the expected life span.

The Company provides reinsurance coverage to primary life insurers with respect to individual and group health risks, including specialty accident and health business such as Health Maintenance Organizations (HMO) reinsurance, medical reinsurance and provider and employer excess of loss programs.

The components of the allocated underwriting result for the Life and Health segment for the years ended December 31, 2017, 2016 and 2015 were as follows (in millions of U.S. dollars):

	2017	2016	2015
Gross premiums written	$1,399	$1,168	$1,271
Net premiums written	$1,344	$1,117	$1,208
Net premiums earned	$1,337	$1,117	$1,209
Losses and loss expenses[(1)]	(1,266)	(927)	(964)
Acquisition costs	(136)	(131)	(153)
Technical result	$(65)	$59	$92
Other income[(2)]	14	10	6
Other expenses	(61)	(66)	(63)
Underwriting result	$(112)	$3	$35
Net investment income	60	58	59
Allocated underwriting result	$(52)	$61	$94

(1) See Liquidity and Capital Resources—Non-life and Life and Health Reserves—Life and Health Reserves in Item 5 and Note 8 to the Consolidated Financial Statements in Item 18 of this report for an analysis of losses and loss expenses.

(2) Other income represents fee income on deposit accounted contracts and longevity swaps.

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Premiums

The Life and Health segment represented 26%, 23% and 23% of total net premiums written in 2017, 2016 and 2015, respectively. Business reported in this segment is, to a significant extent, originally denominated in foreign currencies and is reported in U.S. dollars.

2017 compared to 2016

The increases in gross and net premiums written and net premiums earned were driven by the inclusion of Aurigen premiums and growth in the health line of business.

2016 compared to 2015

The decreases in gross and net premiums written and net premiums earned were driven by reductions in the longevity line due to the increased participation on a significant longevity swap in 2015, downward prior year premium adjustments and cancellations in the mortality business, in addition to marginal decreases in the health business due to continued competitive pressures. The impact of changes in foreign exchange rates also contributed to these decreases.

Allocated underwriting result

2017 compared to 2016

The allocated underwriting result decreased primarily due to losses in the health lines of business which were partially offset by gains from the Life business. The loss in the Health business resulted from an increase in frequency of large claims activity in underwriting years 2015 to 2017, primarily in Affordable Care Act related programs.

2016 compared to 2015

The allocated underwriting result decreased primarily due to a lower technical result in the health line of business.

B. Liquidity and Capital Resources

The following discussion of liquidity and capital resources principally focuses on the Company's Consolidated Balance Sheets and Consolidated Statements of Cash Flows. See Risk Factors in Item 3 for additional information concerning risks related to our business, strategy and operations.

Capital Adequacy

A key challenge for management is to maintain an appropriate level of capital. Management's first priority is to hold sufficient capital to meet all of the Company's obligations to cedants, meet regulatory requirements and support its position as one of the stronger reinsurers in the industry. Management closely monitors its capital needs and capital level throughout the reinsurance cycle and in times of volatility and turmoil in global capital markets actively takes steps to increase or decrease the Company's capital in order to achieve an appropriate balance of financial strength and shareholder returns. Capital management is achieved by either deploying capital to fund attractive business opportunities, or in times of excess capital and times when business opportunities are not so attractive, returning capital to its common shareholder by way of dividends.

Shareholders' Equity and Capital Resources Management

As part of its long-term strategy, the Company will seek to grow capital resources to support its operations throughout the reinsurance cycle, maintain strong ratings from the major rating agencies and maintain the ability to pay claims as they arise. The Company may also seek to restructure its capital through the repayment or purchase of debt obligations or preferred shares, or increase or restructure its capital through the issuance of debt or preferred shares, when opportunities arise.

The total debt liabilities and preferred and common shareholders' equity of the Company at December 31, 2017 and 2016 was as follows (in millions of U.S. dollars):

	December 31, 2017		December 31, 2016	
Senior notes	$1,385	17 %	$1,274	16 %
Capital efficient notes	63	1	63	1
Preferred shareholders' equity, aggregate liquidation value	704	9	704	9
Common shareholder's equity	6,041	73	5,984	74
Total	$8,193	100%	$8,025	100%

Shareholders' equity, comprised of preferred and common shareholders' equity in the table above, was $6.7 billion at December 31, 2017, a 1% increase compared to December 31, 2016. The major factors contributing to this increase were as follows:

- comprehensive income of $248 million, which was primarily related to net income in 2017; partially offset by
- common and preferred dividend payments of $191 million in 2016.

See also Notes 10, 11, 12 and 13 to the Consolidated Financial Statements in Item 18 of this report for a further discussion related to the Company's indebtedness and shareholders' equity, and Operating Results above for a discussion of the Company's net income for the year ended December 31, 2017.

Liquidity and Cash Flows

Liquidity is a measure of the Company's ability to access sufficient cash flows to meet the short-term and long-term cash requirements of its business operations.

The Company aims to be a reliable and financially secure partner to its cedants. This means that the Company must maintain sufficient liquidity at all times so that it can support its cedants by settling claims quickly. The Company generates cash flows primarily from its underwriting and investment operations. Management believes that a profitable, well-run reinsurance organization will generate sufficient cash from premium receipts to pay claims, acquisition costs and other expenses in most years. To the extent that underwriting cash flows are not sufficient to cover operating cash outflows in any year, the Company may utilize cash flows generated from investments and may ultimately liquidate assets from its investment portfolio. Management ensures that its liquidity requirements are supported by maintaining a high quality, well balanced and liquid investment grade investment portfolio, and by matching within certain risk tolerance limits the duration and currency of its investments and the investments underlying the funds held—directly managed account with that of its net reinsurance liabilities. In 2018, the Company expects to continue to generate positive operating cash flows, absent catastrophic events, and absent negative developments on large catastrophe events incurred in 2017.

Management believes that its significant cash flows from operations and high quality liquid investment portfolio will provide sufficient liquidity for the foreseeable future to meet its present requirements. At December 31, 2017 and 2016, cash and cash equivalents were $1.8 billion.

The Company's Consolidated Statements of Cash Flows are included in the Consolidated Financial Statements in Item 18 of this report. Explanations of the cash flows presented in the Consolidated Statements of Cash Flows are as follows:

Net cash provided by operating activities of $243 million in 2017 decreased from $445 million in 2016 primarily due to higher losses paid in 2017. The positive cash flow in 2017 was primarily driven by investment income and included $148 million of paid losses related to the 2017 Hurricanes and California Wildfires, offset by other net cash operating outflows.

Net cash provided by investing activities was $99 million in 2017 compared to net cash used in investing activities of $34 million in 2016. The net cash provided by investing activities in 2017 reflects cash proceeds on sale of investments used to fund financing activities noted below, partially offset by cash used to fund the Aurigen acquisition and to invest in public equity funds. The net cash used in investing activities in 2016 was primarily driven by purchases of short-term investments and an equity method investment in Almacantar for $539 million, partially offset by cash provided by sales and redemptions of securities.

Net cash used in financing activities was $387 million in 2017 compared to $153 million in 2016. Net cash used in financing activities in 2017 was primarily related to the redemption of debt by Aurigen and dividend payments on common and preferred shares. Net cash used in financing activities in 2016 was primarily related to the dividend payments on common and preferred shares, the redemptions of preferred shares and senior notes, and the payment of a one-time special cash dividend and settlement of certain share-based awards related to the acquisition by Exor N.V. These cash outflows were partially offset by cash inflows from the issuance of Euro-denominated senior notes.

The Company's ability to pay common and preferred shareholder dividends, interest payments on debt, and corporate expenses is dependent mainly on cash dividends from PartnerRe Bermuda, PartnerRe Europe, PartnerRe U.S. and PartnerRe Asia (collectively, the reinsurance subsidiaries), which are the Company's most significant subsidiaries. The payment of such dividends by the reinsurance subsidiaries to the Company is limited under Bermuda, Irish and Singapore laws and certain statutes of various U.S. states in which PartnerRe U.S. is licensed to transact business. The

restrictions are generally based on net income and/or certain levels of policyholders’ earned surplus as determined in accordance with the relevant statutory accounting practices.

The reinsurance subsidiaries’ dividend restrictions at December 31, 2017 are described in Note 13 to the Consolidated Financial Statements in Item 18 of this report. In accordance with the terms of the merger agreement between the Company and Exor N.V., subsequent to the preferred share exchange in May 2016, the Company's payment of dividends on common shares

declared with respect to any fiscal quarter is restricted to an amount not exceeding 67% of net income per fiscal quarter until December 31, 2020.

The reinsurance subsidiaries of the Company depend upon cash inflows from the collection of premiums as well as investment income and proceeds from the sales and maturities of investments to meet their obligations. Cash outflows are in the form of claims payments, purchase of investments, other expenses, income tax payments, intercompany payments as well as dividend payments to the respective parent company. See Note 10 to the Consolidated Financial Statements in Item 18 of this report and F. Tabular Disclosures of Contractual Obligations below for further details. Historically, the Company, including through its the operating subsidiaries, has generated sufficient cash flows to meet its obligations. Because of the inherent volatility of the business written by the Company, the seasonality in the timing of payments by cedants, the irregular timing of loss payments, the impact of a change in interest rates and credit spreads on the investment income as well as seasonality in coupon payment dates for fixed income securities, cash flows from operating activities may vary significantly between periods. The Company expects cash flows from operating activities to continue to be sufficient to cover claims payments, absent catastrophic or other large loss activity. In the event that paid losses accelerate beyond the ability to fund such payments from operating cash flows, the Company would use its cash and cash equivalents balances available, liquidate a portion of its high quality and liquid investment portfolio or access certain uncommitted credit facilities. As discussed in the Investments section below, the Company's investments and cash and cash equivalents (excluding the funds held–directly managed account) totaled $16.5 billion at December 31, 2017, of which $14.1 billion were cash and cash equivalents and government issued or investment grade fixed income securities.

Financial strength ratings and senior unsecured debt ratings represent the opinions of rating agencies on the Company's capacity to meet its obligations. In the event of a significant downgrade in ratings, the Company's ability to write business and to access the capital markets could be impacted. Some of the Company's reinsurance treaties contain special funding and termination clauses that would be triggered in the event the Company or one of its subsidiaries is downgraded by one of the major rating agencies to levels specified in the treaties, or the Company's capital is significantly reduced. If such an event were to occur, the Company would be required, in certain instances, to post collateral in the form of letters of credit and/or trust accounts against existing outstanding losses, if any, related to the treaty. In a limited number of instances, the subject treaties could be canceled retroactively or commuted by the cedant.

The Company's current financial strength ratings and outlooks are as follows:

Standard & Poor's	A+
Moody's[(1)]	A1
A.M. Best	A
Fitch	A+

(1) Applies to Partner Reinsurance Company Ltd. and Partner Reinsurance Company of the U.S.

Credit Agreements

In the normal course of its operations, the Company enters into agreements with financial institutions to obtain unsecured and secured letter of credit facilities. These facilities are used for the issuance of letters of credit, which must be fully secured with cash, government bonds and/or investment grade bonds. The agreements include default covenants, which could require the Company to fully secure the outstanding letters of credit to the extent that the facility is not already fully secured and disallow the issuance of any new letters of credit. See Note 18 to the Consolidated Financial Statements in Item 18 of this report for further details.

Investments

Investment philosophy

The Company employs a prudent investment philosophy. It maintains a high quality, well-balanced and liquid portfolio having a total return investment objective, achieved through a combination of optimizing current investment income and pursuing capital appreciation. The Company's total invested assets of $16,982 and $16,887 million at December 31, 2017 and 2016, respectively, are comprised of total investments, cash and cash equivalents, the investment portfolio underlying the funds held–directly managed account (which excludes other asset and liabilities

underlying the funds held–directly managed account), and accrued interest. From a risk management perspective, the Company allocates its invested assets into two categories: liability funds and capital funds.

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Liability funds (including funds held–directly managed) represent invested assets supporting the net reinsurance liabilities, and are invested primarily in investment-grade fixed maturity securities and cash and cash equivalents. The preservation of liquidity and protection of capital are the primary investment objectives for these assets. The portfolio managers are required to adhere to investment guidelines as to minimum ratings and issuer and sector concentration limitations. Liability funds are invested in a way that generally matches them to the corresponding liabilities (referred to as asset-liability matching) in terms of both duration and major currency composition to provide the Company with a natural hedge against changes in interest and foreign exchange rates. In addition, the Company utilizes certain derivatives to further protect against changes in interest and foreign exchange rates. Liability funds represented approximately 54% of the total invested assets at December 31, 2017 and 2016.

Capital funds represent shareholder capital of the Company and are invested in a diversified portfolio with the objective of maximizing investment return, subject to prudent risk constraints. Capital funds contain most of the asset classes typically viewed as offering a higher risk and higher return profile, subject to risk assumption and portfolio diversification guidelines which include issuer and sector concentration limitations. Capital funds may be invested in investment grade and below investment grade fixed maturity securities, publicly listed and private equities, bond and loan investments, real estate investments, structured credit and certain other specialty asset classes. Capital funds represented approximately 46% of the total invested assets at December 31, 2017 and 2016.

The Company's investment strategy allows for the use of derivative instruments, subject to strict limitations. The Company may utilize various derivative instruments, such as treasury note and equity futures contracts, credit default swaps, foreign currency option contracts, foreign exchange forward contracts, total return and interest rate swaps, insurance-linked securities and to-be-announced mortgage-backed securities (TBAs) for the purpose of managing and hedging currency risk, market exposure and portfolio duration, hedging certain investments, mitigating the risk associated with underwriting operations, or enhancing investment performance that would be allowed under the Company's investment policy if implemented in other ways. The use of financial leverage, whether achieved through derivatives or margin borrowing, requires approval from the Board.

At December 31, 2017, the Company had no financial leverage achieved through derivatives and no margin borrowing has been approved by the Board.

The components and carrying values of the Company's total investments, and the percentages of total investments, at December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

	December 31, 2017		December 31, 2016	
Fixed maturities	$12,655	86 %	$13,432	92 %
Short-term investments	4	—	22	—
Equities	639	4	39	—
Investments in real estate	83	1	—	—
Other invested assets	1,385	9	1,076	8
Total investments [(1)]	$14,766	100%	$14,569	100%

(1) In addition to the total investments shown in the above table, the Company held cash and cash equivalents of $1.8 billion at December 31, 2017 and 2016.

The majority of the Company's investments are carried at fair value with changes in fair value included in net realized and unrealized investment gains or losses in the Consolidated Statements of Operations. The fair value of the Company's fixed maturities and short-term investments at December 31, 2017 compared to 2016 primarily reflected higher U.S. risk-free interest rates, the strengthening of the U.S. dollar against most major currencies and the impact of portfolio allocation decisions, which were partially offset by narrowing credit spreads and the acquisition of Aurigen. In 2017, the Company increased its overall allocation to equities, while the increase in other invested assets reflects new investments in certain third-party managed high yield privately issued corporate loans and mark-to-market gains on third-party funds. In prior years, the Company's Board authorized the entry into direct real estate investments. In line with this authorization, the Company completed the acquisition of certain real estate

investment properties during the fourth quarter of 2017. The investments in real estate are carried at cost.
The Company’s investment portfolio generated a net total accounting return of 4.2% in 2017 compared to 2.4% in 2016. The total accounting return in 2017 reflected overall mark-to-market gains driven by equities and compression in corporate bonds spreads, notwithstanding increases in U.S. and European risk-free interest rates. The total accounting return in 2016 reflected overall mark-to-market gains, notwithstanding increases in U.S. and European risk-free interest rates.
The cost, fair value and credit ratings of the Company’s fixed maturities and short-term investments carried at fair value at December 31, 2017 were as follows (in millions of U.S. dollars):

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December 31, 2017	Cost [1]	Fair Value	Credit Rating [2] AAA	AA	A	BBB	Below investment grade/ Unrated
Fixed maturities							
U.S. government	$2,194	$2,184	$—	$2,184	$—	$—	$ —
U.S. government sponsored enterprises	22	22	—	22	—	—	—
U.S. states, territories and municipalities	648	690	150	410	1	—	129
Non-U.S. sovereign government, supranational and government related	1,696	1,751	655	763	333	—	—
Corporate	6,034	6,129	43	365	2,269	3,310	142
Asset-backed securities	47	51	8	—	—	—	43
Residential mortgage-backed securities	1,835	1,823	43	1,780	—	—	—
Other mortgage-backed securities	5	5	1	4	—	—	—
Fixed maturities	12,481	12,655	900	5,528	2,603	3,310	314
Short-term investments	4	4	1	2	1	—	—
Total fixed maturities and short-term investments	12,485	12,659	$901	$5,530	$2,604	$3,310	$ 314
% of Total fixed maturities and short-term investments			7 %	44 %	21 %	26 %	2 %

(1) Cost is amortized cost for fixed maturities and short-term investments.

(2) All references to credit rating reflect Standard & Poor's (or estimated equivalent). Investment grade reflects a rating of BBB- or above.

At December 31, 2017, the Company did not hold any investments in securities issued by peripheral European Union (EU) sovereign governments (Portugal, Italy, Ireland, Greece and Spain).

At December 31, 2017, approximately 89% of the Company's fixed maturity and short-term investments, which includes fixed income type mutual funds, were publicly traded and approximately 98% were rated investment grade (BBB- or higher) by Standard & Poor's (or estimated equivalent). The average credit quality, the year-end yield to maturity and the expected average duration of the Company's fixed maturities and short-term investments (which includes fixed income type mutual funds) at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Average credit quality	A	A
Year-end yield to maturity	2.8 %	2.7 %
Expected average duration	4.7 years	4.9 years

The average credit quality of fixed maturities and short-term investments at December 31, 2017 remained unchanged compared to December 31, 2016.

The average yield to maturity on fixed maturities and short-term investments increased modestly by 0.1% primarily due to increases in U.S. and European risk-free interest rates for most of the year.

The expected average duration of fixed maturities and short-term investments of 4.7 years at December 31, 2017 and 4.9 years at December 31, 2016 is in line with our expected duration of reinsurance liabilities of approximately 4.8 years. Duration is adjusted through the utilization of interest rate futures and other instruments.

Maturity Distribution

The distribution of fixed maturities and short-term investments at December 31, 2017 by contractual maturity date was as follows (in millions of U.S. dollars):

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December 31, 2017	Cost	Fair Value
One year or less	$283	$280
More than one year through five years	4,252	4,259
More than five years through ten years	4,100	4,126
More than ten years	1,963	2,115
Subtotal	10,598	10,780
Mortgage/asset-backed securities	1,887	1,879
Total	$12,485	$12,659

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Corporate bonds included in Fixed maturities

Corporate bonds are comprised of obligations of U.S. and foreign corporations. The fair values of corporate bonds issued by U.S. and foreign corporations by economic sector at December 31, 2017 were as follows (in millions of U.S. dollars):

December 31, 2017	U.S.	Foreign	Fair Value	Percentage to Total Fair Value of Corporate Bonds
Sector				
Consumer noncyclical	$1,121	$218	$1,339	22 %
Finance	762	261	1,023	17
Industrials	566	100	666	11
Energy	428	128	556	9
Consumer cyclical	498	19	517	8
Communications	401	33	434	7
Insurance	402	26	428	7
Utilities	237	106	343	6
Real estate investment trusts	282	13	295	5
Technology	246	—	246	4
Basic materials	109	71	180	3
Catastrophe bonds	2	66	68	1
Longevity and mortality bonds	25	—	25	—
Government guaranteed corporate debt	—	9	9	—
Total	$5,079	$1,050	$6,129	100 %
% of Total	83 %	17 %	100 %	

At December 31, 2017, other than the U.S., no country accounted for more than 10% of the Company's corporate bonds. At December 31, 2017, the ten largest issuers accounted for 18% of the corporate bonds held by the Company (7% of total investments and cash) and no single issuer accounted for more than 4% of total corporate bonds (2% of total investments and cash).

Within the finance sector, 100% of corporate bonds were rated investment grade and 54% were rated A- or better at December 31, 2017.

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Asset-backed and Residential Mortgage-backed Securities included in Fixed maturities

Asset-backed securities and residential mortgage-backed securities by U.S. and non-U.S. originations and the related fair value and credit ratings at December 31, 2017 were as follows (in millions of U.S. dollars):

	Credit Rating [1]					
December 31, 2017	GNMA [2]	GSEs [3]	AAA	AA	Below investment grade / Unrated	Fair Value
Asset-backed securities						
U.S.	$—	$—	$1	$—	$ —	$1
Non-U.S.	—	—	7	—	43	50
Asset-backed securities	$—	$—	$8	$—	$ 43	$51
Residential mortgage-backed securities						
U.S.	$516	$1,264	$7	$—	$ —	$1,787
Non-U.S.	—	$—	36	—	—	36
Residential mortgage-backed securities	$516	$1,264	$43	$—	$ —	$1,823
Commercial mortgage-backed securities						
U.S.	—	$—	1	4	—	5
Commercial mortgage-backed securities	$—	$—	$1	$4	$ —	$5
Total	$516	$1,264	$52	$4	$ 43	$1,879
% of Total	27 %	68 %	3 %	— %	2 %	100 %

(1) All references to credit rating reflect Standard & Poor's (or estimated equivalent).

(2) GNMA represents the Government National Mortgage Association. The GNMA, or Ginnie Mae as it is commonly known, is a wholly-owned U.S. government corporation within the Department of Housing and Urban Development which guarantees mortgage loans of qualifying first-time home buyers and low-income borrowers.

(3) GSEs, or government sponsored enterprises, includes securities that carry the implicit backing of the U.S. government and securities issued by U.S. government agencies.

Residential mortgage-backed securities include U.S. residential mortgage-backed securities, which generally have a low risk of default. The issuers of these securities are U.S. government agencies or GSEs, which set standards on the mortgages before accepting them into the program. Although these U.S. government backed securities do not carry a formal rating, they are generally considered to have a credit quality equivalent to or greater than AA+ corporate issues. They are considered prime mortgages and the major risk is uncertainty of the timing of prepayments.

Short-term Investments

Short-term investments of $4 million consisted of U.S. and non-U.S. government obligations and U.S. corporate bonds. At December 31, 2017, 79% of short-term investments were rated AA or higher by Standard & Poor's (or estimated equivalent).

Equities

During 2017, the Company increased its investment in equities, as noted above. The increase in equities at December 31, 2017 compared to December 31, 2016 was primarily due to a $500 million investment in two Exor managed public equity funds (see Note 19 to the Consolidated Financial Statements in Item 18 for further details).

Investments in Real Estate

Investments in real estate comprise certain direct investments valued at cost (see also Notes 2(f) and 19 to the Consolidated Financial Statements in Item 18 of this report for further details).

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Other Invested Assets

Other invested assets are comprised of investments that are accounted for using the equity method of accounting, cost method of accounting or fair value accounting. At December 31, 2017, other invested assets primarily include an investment in Almacantar of $538 million accounted for under the equity method, a portfolio of third-party managed privately issued corporate loans carried at fair value of $205 million, investments with a fair value of $444 million (mainly third party private equity funds) and notes and loan receivables and notes securitizations of $112 million (mainly part of our Principal Finance portfolio). In addition, other invested assets include certain derivatives. See Notes 5 and 6 to the Consolidated Financial Statements in Item 18 of this report for further details.

Funds Held—Directly Managed Account

Following Paris Re's acquisition of substantially all of the reinsurance operations of Colisée Re in 2006, Paris Re and its subsidiaries entered into various agreements, including Quota Share Retro Agreement and Run-Off Services and Management agreement (collectively, the 2006 Acquisition Agreements) to assume business written by Colisée Re from January 1, 2006 to September 30, 2007 as well as the in-force business at December 31, 2005. The agreements provided that the premium related to the transferred business was retained by Colisée Re and credited to a funds held account. The assets underlying the funds held–directly managed account are maintained by Colisée Re in a segregated investment portfolio and managed by the Company. Substantially all of the investments in the segregated investment portfolio underlying the funds held–directly managed account are fixed maturity investments carried at fair value. The fair value of the investment portfolio underlying the funds held–directly managed account decreased from $354 million at December 31, 2016 to $300 million at December 31, 2017 primarily related to a commutation of a portion of the Reserve Agreement with Colisée Re, the run–-off of the underlying loss reserves associated with this account and the impact of the weakening of the U.S. dollar against most major currencies. See also note 8(a) for discussion of the related reserve agreement.

The average credit quality, the year-end yield to maturity and the expected average duration of the fixed maturities underlying the funds held–directly managed account at December 31, 2017 and 2016 were as follows:

	December 31, 2017		December 31, 2016	
Average credit quality	AA		AA	
Year-end yield to maturity	1.4	%	1.1	%
Expected average duration	3.2	years	3.5	years

The average credit quality remained unchanged while the year-end yield to maturity was higher by 0.3% for the fixed maturities underlying the funds held–directly managed account at December 31, 2017 compared to December 31, 2016 as a result of a general increase in risk-free rates and the liquidation of lower yielding portfolios.

The expected average duration of fixed maturities remained relatively unchanged from December 31, 2016 to December 31, 2017.

See Non-life and Life and Health Reserves below and Notes 5 and 8 to the Consolidated Financial Statements in Item 18 of this report for further details on the funds held–directly managed account and related guaranteed reserves. The credit risk of Colisée Re in the event of its insolvency or its failure to honor the value of the funds held balances for any other reason is discussed in Quantitative and Qualitative Disclosures about Market Risk—Counterparty Credit Risk in Item 11 of this report.

Funds Held by Reinsured Companies (Cedants)

The Company writes certain business on a funds held basis. Under funds held contractual arrangements, the cedant retains the net funds that would have otherwise been remitted to the Company and credits the net fund balance with investment income. The Company does not legally own or directly control the investments underlying its funds held assets and only has recourse to the cedant for the receivable balances and no claim to the underlying securities that support the balances. Decisions as to purchases and sales of assets underlying the funds held balances are made by the cedant; in some circumstances, investment guidelines regarding the minimum credit quality of the underlying assets may be agreed upon between the cedant and the Company as part of the reinsurance agreement, or the Company may participate in an investment oversight committee regarding the investment of the net funds, but investment decisions are not otherwise influenced by the Company.

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At December 31, 2017 and 2016, the Company recorded $801 million and $685 million, respectively, of funds held assets, excluding the funds held–directly managed account discussed above. The majority of the funds held balance relate to contracts that earned investment income based upon a predetermined interest rate, either fixed contractually at the inception of the contract or based upon a recognized market index (e.g., LIBOR). Under these contractual arrangements, there are no specific assets linked to the funds held assets, and the Company is only exposed to the credit risk of the cedant.

Non-life and Life and Health Reserves

See Notes 2(b) and 8 to the Consolidated Financial Statements in Item 18 of this report for further details for the Company's loss reserves, including disclosures required by the SEC Industry Guide 4: Disclosures concerning unpaid claims and claim adjustment expenses of property-casualty insurance underwriters.

Non-life Reserves

Loss reserves represent estimates of amounts an insurer or reinsurer ultimately expects to pay in the future on claims incurred at a given time, based on facts and circumstances known at the time that the loss reserves are established. It is possible that the total future payments may exceed, or be less than, such estimates. The estimates are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends in claim severity, frequency and other variable factors such as inflation. During the loss settlement period, it often becomes necessary to refine and adjust the estimates of liability on a claim either upward or downward. Despite such adjustments, the ultimate future liability may exceed or be less than the revised estimates.

As part of the reserving process, insurers and reinsurers review historical data and anticipate the impact of various factors such as legislative enactments and judicial decisions that may affect potential losses from casualty claims, changes in social and political attitudes that may increase exposure to losses, mortality and morbidity trends and trends in general economic conditions. This process assumes that past experience, adjusted for the effects of current developments, is an appropriate basis for anticipating future events.

The Company's gross reserves by segment and the total ceded and net non-life reserves at December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

	December 31, 2017	December 31, 2016
P&C segment	$ 6,942	$ 6,187
Specialty segment	2,769	2,798
Gross non-life reserves	9,711	8,985
Ceded non-life reserves	(689)	(267)
Net non-life reserves	$ 9,022	$ 8,718

Net non-life reserves increased from December 31, 2016 to December 31, 2017 primarily due to the occurrence of major catastrophic events in 2017 and the impact of foreign exchange, partially offset by net favorable loss emergence on prior accident years and loss payments. The changes in these reserves and the reconciliation of the gross and net total non-life reserves for the years ended December 31, 2017, 2016 and 2015 are presented and discussed further in Note 8(a) to the Consolidated Financial Statements in Item 18 of this report.

The net favorable prior year loss development on prior accident years was $448 million for the year ended December 31, 2017, primarily resulting from favorable loss emergence across most lines of business within the P&C and Specialty segments. See Note 8(a) to the Consolidated Financial Statements in Item 18 for further details related to the 2017 net favorable loss development by segment and for comparisons to 2016 and 2015.

See also Note 8(a) to the Consolidated Financial Statements in Item 18 of this report for details of the net incurred and paid losses and loss expenses development by accident year, the total of incurred but not reported liabilities plus expected development on reported claims, and the net liability as at December 31, 2017 for total Non-life and each of the P&C and Specialty segments.

The gross reserves reported by cedants (case reserves), those estimated by the Company (ACRs and IBNR) and the total gross, ceded and net loss reserves recorded at December 31, 2017 by reserving line for the Company's Non-life operations were as follows (in millions of U.S. dollars):

Reserving lines	Case reserves	ACRs	IBNR	Total gross	Ceded loss

			reserves	loss reserves recorded	reserves	Net non-life reserves recorded
P&C	$ 3,025	$ 156	$ 3,761	$ 6,942	$ (495)	$ 6,447
Specialty	1,152	20	1,596	2,769	(194)	2,575
Total Non-life reserves	$ 4,177	$ 176	$ 5,357	$ 9,711	$ (689)	$ 9,022

The net non-life loss reserves represent the Company's best estimate of future losses and loss expense amounts based on the information available at December 31, 2017. Loss reserves rely upon estimates involving actuarial and statistical projections at a given time that reflect the Company's expectations of the costs of the ultimate settlement and administration of claims. Estimates of ultimate liabilities are contingent on many future events and the eventual outcome of these events may be different from the assumptions underlying the reserve estimates. In the event that the business environment and social trends diverge from historical trends, the Company may have to adjust its loss reserves to amounts falling significantly outside its current estimate. These estimates are regularly reviewed and the ultimate liability may be in excess of, or less than, the amounts provided, for which any adjustments will be reflected in the period in which the need for an adjustment is determined.

The Company's best estimates are point estimates within a reasonable range of actuarial liability estimates. These ranges are developed using stochastic simulations and techniques and provide an indication as to the degree of variability of the loss reserves. The Company interprets the ranges produced by these techniques as confidence intervals around the point estimates for each Non-life sub-segment. However, due to the inherent volatility in the business written by the Company, there can be no assurance that the final settlement of the loss reserves will fall within these ranges.

The point estimates related to net loss reserves recorded by the Company and the range of actuarial estimates at December 31, 2017 for P&C and Specialty segments were as follows (in millions of U.S. dollars):

	Recorded Point Estimate	High	Low
P&C	$ 6,447	$ 6,803	$ 5,305
Specialty	$ 2,575	$ 2,866	$ 2,084

It is not appropriate to add together the ranges of each segment in an effort to determine a high and low range around the Company's total carried loss reserves.

Of the Company's $9,022 million of net loss reserves related to the P&C and Specialty business at December 31, 2017, net loss reserves for accident years 2005 and prior of $426 million are guaranteed by Colisée Re, pursuant to the Reserve Agreement. The Company is not subject to any loss reserve variability associated with the guaranteed reserves. See below for a discussion of the Reserve Agreement.

Included in the business that is considered to have a long reporting tail is the Company's exposure to asbestos and environmental claims. See Note 8 to the Consolidated Financial Statements in Item 18 of this report for further details.

Non-life Reserving Methodology

Because a significant amount of time can elapse between the assumption of risk, occurrence of a loss event, the reporting of the event to an insurance company (the primary company or the cedant), the subsequent reporting to the reinsurance company (the reinsurer) and the ultimate payment of the claim on the loss event by the reinsurer, the Company's non-life reserves (loss reserves) are based largely upon estimates.

The Company categorizes loss reserves into three types of reserves: reported outstanding loss reserves (case reserves), additional case reserves (ACRs) and amounts for losses incurred but not yet reported to the Company (IBNR). The Company updates its estimates for each of the aforementioned categories on a quarterly basis using information received from its cedants.

Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company.

ACRs are established for particular circumstances where, on the basis of individual loss reports, the Company estimates that the particular loss or collection of losses covered by a treaty may be greater than those advised by the cedant.

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IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company, as well as future loss development on losses already reported, in excess of the case reserves and ACRs. Unlike case reserves and ACRs, IBNR reserves are often calculated at an aggregated level and cannot usually be directly identified as reserves for a particular loss or treaty.

The Company also estimates the future unallocated loss adjustment expenses (ULAE) associated with the loss reserves and these form part of the Company's loss adjustment expense reserves.

The amount of time that elapses before a claim is reported to the cedant and then subsequently reported to the reinsurer is commonly referred to in the industry as the reporting tail. Lines of business for which claims are reported quickly are commonly referred to as short-tail lines; and lines of business for which a longer period of time elapses before claims are reported to the reinsurer are commonly referred to as long-tail lines. In general, for reinsurance, the time lags are longer than for primary business due to the delay that occurs between the cedant becoming aware of a loss and reporting the information to its reinsurer(s). The delay varies by reinsurance market (country of cedant), type of treaty, whether losses are first paid by the cedant and the size of the loss. The delay could vary from a few weeks to a year or sometimes longer. For all lines, the Company's objective is to estimate ultimate losses and loss expenses. Total loss reserves are then calculated by subtracting losses paid. Similarly, IBNR reserves are calculated by subtraction of case reserves and ACRs from total loss reserves.

The Company analyzes its ultimate losses and loss expenses after consideration of the loss experience of various reserving cells. The Company assigns treaties to reserving cells and allocates losses from the treaty to the reserving cell. The reserving cells are selected in order to ensure that the underlying treaties have homogeneous loss development characteristics (e.g., reporting tail) but are large enough to make estimation of trends credible. The selection of reserving cells is reviewed annually and changes over time as the business of the Company evolves. For each reserving cell, the Company tabulates losses in reserving triangles that show the total reported or paid claims at each financial year end by underwriting year cohort. An underwriting year is the year during which the reinsurance treaty was entered into as opposed to the year in which the loss occurred (accident year), or the calendar year for which financial results are reported. For each reserving cell, the Company's estimates of loss reserves are reached after a review of the results of several commonly accepted actuarial projection methodologies. In selecting its best estimate, the Company considers the appropriateness of each methodology to the individual circumstances of the reserving cell and underwriting year for which the projection is made. The methodologies that the Company employs include, but may not be limited to, paid and reported Chain Ladder methods, Expected Loss Ratio method, paid and reported Bornhuetter-Ferguson (B-F) methods, and paid and reported Benktander methods. In addition, the Company uses other methodologies to estimate liabilities for specific types of claims. For example, reserves established for the catastrophe line are primarily a function of the presence or absence of catastrophic events during the year, and the complexity and uncertainty associated with estimating unpaid losses from these large disclosed events. Internal and vendor catastrophe models are typically used in the estimation of loss and loss expenses at the early stages of catastrophe losses before loss information is reported to the reinsurer. In addition, reserves are also established in consideration of mid-sized and attritional loss events that occur during a year. In the case of asbestos and environmental claims, the Company has established reserves for future losses and allocated loss expenses based on the results of periodic actuarial studies, which consider the underlying exposures of the Company's cedants.

The reserve methodologies employed by the Company are dependent on data that the Company collects. This data consists primarily of loss amounts and loss payments reported by the Company's cedants, and premiums written and earned reported by cedants or estimated by the Company. The actuarial methods used by the Company to project loss reserves that it will pay in the future do not generally include methodologies that are dependent on claim counts reported, claim counts settled or claim counts open as, due to the nature of the Company's business, this information is not routinely provided by cedants for every treaty.

For a description of the reserving methods commonly employed by the Company see Note 8 to the Consolidated Financial Statements in Item 18 of this report. Each of these methods have certain advantages and disadvantages which the Company takes into consideration when determining which methods to use and method weights.

The main strengths of the Chain Ladder (CL) Development method are that it is reactive to loss emergence (payments) and that it makes full use of historical experience on claim emergence (payments). For homogeneous low

volatility lines, under stable economic conditions, the method can often produce good estimates of ultimate liabilities and reserves. However, the method has weaknesses when the underlying assumption of stable patterns is not true. This may be the consequence of changes in the mix of business, changes in claim inflation trends, changes in claim reporting practices or the presence of large claims, among other things. Furthermore, the method tends to produce volatile estimates of ultimate liabilities in situations where there is volatility in reported (paid) patterns. In particular, when the expected percentage reported (paid) is low, small deviations between actual and expected claims can lead to very volatile estimates of ultimate liabilities and reserves. Consequently, this method is often unsuitable for projections at early development stages of an

underwriting year. Finally, the method fails to incorporate any information regarding market conditions, pricing, etc., which could improve the estimate of liabilities and reserves. It therefore tends not to perform very well in situations where there are rapidly changing market conditions.

The Expected Loss Ratio method is insensitive to actual reported or paid losses therefore it is usually inappropriate at later stages of development, but can often be useful at the early stages of development when very few losses have been reported or paid, and the principal sources of information available to the Company consist of information obtained during pricing and qualitative information supplied by the cedant.

The Bornhuetter-Ferguson (B-F) methods (Reported or Paid) tend to provide less volatile indications at early stages of development and reflect changes in the external environment, however, this method can be slow to react to emerging loss development (payment). In particular, to the extent that the a priori loss ratios prove to be inaccurate (and are not revised), the B-F methods will produce loss estimates that take longer to converge with the final settlement value of loss liabilities.

Benktander (B-K) Methods (Reported or Paid), which can be viewed as a blend between the CL Development and the B-F methods, still exhibits the same advantages and disadvantages as the B-F method, but the mechanics of the calculation imply that it is more reactive to loss emergence (payment) than the B-F method.

The reserving methods used by the Company are dependent on a number of key parameter assumptions. The principal parameter assumptions underlying the methods used by the Company are:

- the loss development factors used to form an expectation of the evolution of reported and paid claims for several years following the inception of the underwriting year. These are often derived by examining the Company’s data after due consideration of the underlying factors listed below. In some cases, where the Company lacks sufficient volume to have statistical credibility, external benchmarks are used to supplement the Company’s data;
- the tail factors used to reflect development of paid and reported losses after several years have elapsed since the inception of the underwriting year;
- the a priori loss ratios used as inputs in the B-F methods; and
- the selected loss ratios used as inputs in the Expected Loss Ratio method.

As an example of the sensitivity of the Company’s reserves to reserving parameter assumptions by reserving line, the effect on the Company’s reserves of higher/lower a priori loss ratio selections, higher/lower loss development factors and higher/lower tail factors based on amounts recorded at December 31, 2017 was as follows (in millions of U.S. dollars):

Reserving lines selected assumptions	P&C	Specialty
A Priori Loss Ratio +5%	227	101
Loss Development Factors (up to 10 years) 6 months longer	475	280
Tail Loss Development Factors higher by 5%[1]	389	167
A Priori Loss Ratio -5%	(243)	(112)
Loss Development Factors (up to 10 years) 6 months faster	(227)	(116)
Tail Loss Development Factors lower by 5%[1]	(348)	(138)

(1) Tail factors are defined as aggregate development factors after 10 years from the inception of an underwriting year.

The Company believes that the illustrated sensitivities to the reserving parameter assumptions are indicative of the potential variability inherent in the estimation process of those parameters. Some reserving lines show little sensitivity to a priori loss ratio, loss development factor or tail factor as the Company may use reserving methods such as the Expected Loss Ratio method in several of its reserving cells within those lines. It is not appropriate to sum the total impact for a specific factor or the total impact for a specific reserving line as the lines of business are not perfectly correlated.

The validity of all parameter assumptions used in the reserving process is reaffirmed on a quarterly basis. Reaffirmation of the parameter assumptions means that the actuaries determine that the parameter assumptions continue to form a sound basis for projection of future liabilities. Parameter assumptions used in projecting future

liabilities are themselves estimates based on historical information. As new information becomes available (e.g., additional losses reported), the Company's actuaries determine whether a revised estimate of the parameter assumptions that reflects all available information is consistent with the previous parameter assumptions employed. In general, to the extent that the

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revised estimate of the parameter assumptions are within a close range of the original assumptions, the Company determines that the parameter assumptions employed continue to form an appropriate basis for projections and continue to use the original assumptions in its models. In this case, any differences could be attributed to the imprecise nature of the parameter estimation process. However, to the extent that the deviations between the two sets of estimates are not within a close range of the original assumptions, the Company reacts by adopting the revised assumptions as a basis for its reserve models. Notwithstanding the above, even where the Company has experienced no material deviations from its original assumptions during any quarter, the Company will generally revise the reserving parameter assumptions at least once a year to reflect all accumulated available information.

In addition to examining the data, the selection of the parameter assumptions is dependent on several underlying factors. The Company's actuaries review these underlying factors and determine the extent to which these are likely to be stable over the time frame during which losses are projected, and the extent to which these factors are consistent with the Company's data. If these factors are determined to be stable and consistent with the data, the estimation of the reserving parameter assumptions are mainly carried out using actuarial and statistical techniques applied to the Company's data. To the extent that the actuaries determine that they cannot continue to rely on the stability of these factors, the statistical estimates of parameter assumptions are modified to reflect the direction of the change. The main underlying factors upon which the estimates of reserving parameters are predicated are:

- the cedant's business practices will proceed as in the past with no material changes either in submission of accounts or cash flows;
- any internal delays in processing accounts received by the cedant are not materially different from that experienced historically, and hence the implicit reserving allowance made in loss reserves through the methods continues to be appropriate;
- case reserve reporting practices, particularly the methodologies used to establish and report case reserves, are unchanged from historical practices;
- the Company's internal claim practices, particularly the level and extent of use of ACRs, are unchanged;
- historical levels of claim inflation can be projected into the future and will have no material effect on either the acceleration or deceleration of claim reporting and payment patterns;
- the selection of reserving cells results in homogeneous and credible future expectations for all business in the cell and any changes in underlying treaty terms are either reflected in cell selection or explicitly allowed in the selection of trends;
- in cases where benchmarks are used, they are derived from the experience of similar business; and
- the Company can form a credible initial expectation of the ultimate loss ratio of recent underwriting years through a review of pricing information, supplemented by qualitative information on market events.

The Company's best estimate of total loss reserves is typically in excess of the midpoint of the actuarial ultimate liability estimate. The Company believes that there is potentially significant risk in estimating loss reserves for long-tail lines of business and for immature underwriting years that may not be adequately captured through traditional actuarial projection methodologies as these methodologies usually rely heavily on projections of prior year trends into the future. In selecting its best estimate of future liabilities, the Company considers both the results of actuarial point estimates of loss reserves as well as the potential variability of these estimates as captured by a reasonable range of actuarial liability estimates. The selected best estimates of reserves are always within the reasonable range of estimates indicated by the Company's actuaries. In determining the appropriate best estimate, the Company reviews (i) the position of overall reserves within the actuarial reserve range, (ii) the result of bottom up analysis by underwriting year reflecting the impact of parameter uncertainty in actuarial calculations, and (iii) specific qualitative information that may have an effect on future claims but which may not have been adequately reflected in actuarial estimates, such as potential for outstanding litigation, claims practices of cedants, etc.

During 2017, 2016 and 2015, the Company reviewed its estimate for prior year losses for the P&C and Specialty segments and, in light of developing data, adjusted its ultimate loss ratios for prior accident years. The net prior year favorable loss development for each segment for the years ended December 31, 2017, 2016 and 2015 is presented in Note 8 to the Consolidated Financial Statements in Item 18 of this report.

Actual losses paid and reported compared with the Company's expectations, and the changes of the Company's reserving parameter assumptions in response to the emerging development during the year ended December 31, 2017 were as follows:

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- P&C and Specialty: Aggregate losses reported in 2017 for both P&C and Specialty segments were better than Company's expectations as losses for most underwriting years continue to emerge below expectations. The better than expected loss emergence within the P&C segment was mainly driven by the casualty business. The better than expected loss emergence within the Specialty segment was predominantly driven by credit & surety, energy onshore and agriculture exposures. The Company reflected this experience by reducing the selected loss ratios for these lines of business.

Reserve Agreement and Funds Held–Directly Managed Account

The non-life reserves at December 31, 2017 and 2016 include reserves guaranteed by Colisée Re (formerly known as AXA RE, a subsidiary of AXA SA (AXA)), acquired in the Paris Re acquisition.

Following Paris Re's acquisition of substantially all of the reinsurance operations of Colisée Re in 2006, Paris Re and its subsidiaries entered into the 2006 Acquisition Agreements to assume business written by Colisée Re from January 1, 2006 to September 30, 2007 as well as the in-force business at December 31, 2005.

Pursuant to the Reserve Agreement, the benefits and risks of Colisée Re's reinsurance agreements were ceded to Paris Re France, which is now PartnerRe Europe, but AXA and Colisée Re remain both the legal counterparties for all such reinsurance contracts and the legal holders of the assets relating to such reserves. The Reserve Agreement provides that AXA and Colisée Re shall guarantee reserves in respect of Paris Re France and subsidiaries. The agreements also provided that the premium related to the transferred business was retained by Colisée Re and credited to a funds held account. Paris Re France would receive any surplus, and be responsible for any deficits remaining with respect to the funds held–directly managed account, after all liabilities have been discharged and payments pursuant to the Reserve Agreement have been settled. In addition, realized and unrealized investment gains and losses and net investment income related to the investment portfolio underlying the funds held–directly managed account inure to the benefit of Paris Re France. The assets underlying the funds held–directly managed account are maintained by Colisée Re in a segregated investment portfolio and managed by the Company and are discussed above.

On October 1, 2010, PartnerRe Europe and Paris Re France effected a cross border merger whereby all the assets and liabilities of Paris Re France were transferred to PartnerRe Europe, including the agreements between Paris Re France and Colisée Re.

At December 31, 2017 and 2016, the Company's net liability for non-life reserves includes $426 million and $496 million, respectively, of guaranteed reserves and the decrease during the year was primarily due to commutation of a portion of the Reserve Agreement with Colisée Re, the run–-off of the underlying loss reserves associated with these reserves and the impact of the weakening of the U.S. dollar against most major currencies.

See Notes 5 and 8(a) to the Consolidated Financial Statements in Item 18 of this report for further details of the funds held–directly managed account and related guaranteed reserves.

Life and Health Reserves

Life and Health reserves relate to the Company's Life and Health segment, which predominantly includes:

- mortality business, covering death and disability risks (with various riders) primarily written in Continental Europe, TCI primarily written in the U.K. and Ireland, and GMDB business primarily written in Continental Europe. Following the acquisition of Aurigen, the Company also writes mortality business originating in Canada;
- reinsurance of longevity, subdivided into standard and non-standard annuities primarily written in the U.K.; and
- specialty accident and health business, including Health Maintenance Organizations (HMO) reinsurance, medical reinsurance and provider and employer excess of loss programs primarily written in the U.S.

The Company categorizes life reserves into three types of reserves: case reserves, IBNR and reserves for future policy benefits. Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company. IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company, as well as future loss development on losses already reported, in excess of the case reserves. Reserves for future policy benefits relate to future events occurring on policies in force over an extended period of time. Reserves for future policy benefits represent an estimate of the amount which, together with estimated future premiums and investment income, will be sufficient to pay claims and future benefits, expenses and costs on in-force policies, as such claims and expenses are incurred.

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Reserves for future policy benefits are calculated as the present value of future expected claims, benefits and costs to be paid, reduced by the present value of future expected premiums. Such liabilities are established based on methods and underlying assumptions in accordance with U.S. GAAP and applicable actuarial standards. Principal assumptions used in the establishment of reserves for future policy benefits have been determined based upon information reported by ceding companies, supplemented by the Company's actuarial estimates of mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty. Case reserves, IBNR reserves and reserves for future policy benefits are generally calculated at the treaty level. The Company updates its estimates for each of the aforementioned categories on a periodic basis using information received from its cedants.

The Company's gross and net reserves for the Life and Health segment at December 31, 2017 and 2016 were as follows (in millions of U.S. dollars):

	December 31, 2017	December 31, 2016
Case reserves	$ 342	281
IBNR reserves	1,042	798
Reserves for future policy benefits	1,107	905
Total gross Life and Health reserves	2,491	1,984
Ceded reserves	(41)	(31)
Net Life and Health reserves	2,450	1,953

The increase in the Life and Health reserves in 2017 was primarily due to the Aurigen acquisition, increase in expected claims for health business, an increase in policy benefit reserves related to new mortality and longevity business written and the impact of foreign exchange as value of the U.S. dollar strengthened against most currencies from December 31, 2016 to December 31, 2017. The net incurred losses for the Company's life reserves will generally exceed net paid losses in any one given year due to the long-term nature of the liabilities and the growth in the book of business.

Life and Health Reserving Methodology

The Company's reserving methodologies are as follows:

- Mortality: The reserves for the short-term mortality business consist of case reserves and IBNR, calculated at the treaty level based upon cedant information. The Company's reserving methodology includes a review of actual experience against expected experience and the use of the ELR method described above.

The reserves for the long-term traditional mortality and term critical illness (TCI) reinsurance are established based upon management's best estimate of claims and policy benefits and includes a provision for adverse deviation. Management's best estimate relies upon actuarial indications of future claims and policy benefits. The provision for adverse deviation contemplates reasonable deviations from the best estimate assumptions for the key risk elements relevant to the product being evaluated, including mortality, disability, critical illness, expenses, and discount rates. The Company's actuaries annually verify the current reserving assumptions in consideration of evolving experience and the actuarial indications for assumptions relating to future policy benefits, including mortality, disability, critical illness, persistency and future investment income The reserves for the GMDB reinsurance business are established similar to provisions for universal life contracts. Key actuarial assumptions for this business are mortality, lapses, interest rates, expected returns on cash and bonds and stock market performance. For the latter parameter, a stochastic option pricing approach is used and the benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios. The assumptions of investment performance and volatility are consistent with expected future experience of the respective underlying funds available for policyholder investment options. Recorded reserves for GMDB reflect management's best estimate based upon actuarial indications.

- Longevity: Reserves for the annuity portfolio of reinsurance contracts within the longevity book are established. Some of these contracts subject the Company to risks arising from policyholder mortality over a period that extends beyond the periods in which premiums are collected. The Reserves for future policy benefits follow the reserving methodology discussed above for long-term traditional mortality.

For standard annuities, the main risk is a higher than expected increase in future life span in the medium to long term. Non-standard annuities are annuities sold to people with aggravated health conditions and are usually

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medically underwritten on an individual basis and the main risk is the inadequate assessment of the future life span of the insured.

- Accident and Health: The unpaid loss and loss expense reserves for accident and health business are initially calculated using the ELR method. Subsequently, the Company's reserving methodology utilizes actual reported loss experience and the B-F method to calculate IBNR.

As an example of the sensitivity of the Company's reserves for life and health contracts to reserving parameter assumptions by reserving line, the effect of different assumption selections based on the gross reserves recorded at December 31, 2017 was as follows (in millions of U.S. dollars):

Reserving lines	Factors	Change	Impact on total net Life and Health reserves
Longevity			
Standard and non-standard annuities	Mortality improvements per annum	1%	$ 401
Mortality			
Long-term and TCI	Mortality	10%	$ 470
GMDB	Stock market performance	-10%	$ 2

It is not appropriate to sum the total impact for a specific reserving line or the total impact for a specific factor because the reinsurance portfolios are not perfectly correlated.

Refer to Note 8 to the Consolidated Financial Statements in Item 18 of this report for disclosures on life and health reserves.

Reinsurance Recoverable on Paid and Unpaid Losses

The Company has exposure to credit risk related to reinsurance recoverable on paid and unpaid losses. See Note 9 to the Consolidated Financial Statements in Item 18 and Quantitative and Qualitative Disclosures about Market Risk—Counterparty Credit Risk in Item 11 of this report for a discussion of the Company's risk related to reinsurance recoverable on paid and unpaid losses and the Company's process to evaluate the financial condition of its reinsurers.

At December 31, 2017 and 2016, the Company recorded $829 million and $332 million, respectively, of reinsurance recoverable on paid and unpaid losses in its Consolidated Balance Sheets, of which $730 million and $298 million, respectively, represents reinsurance recoverable on total non-life and life and health reserves. The increase in the reinsurance recoverable during 2017 was primarily due to the large catastrophic losses incurred.

At December 31, 2017, the distribution of the Company's reinsurance recoverable on total non-life and life and health reserves categorized by the reinsurer's Standard & Poor's rating was as follows:

Rating Category	% of total reinsurance recoverable on paid and unpaid losses	
AA- or better	7	%
A- to A+	30	
Less than A-	—	
Unrated	63	
Total	100	%

At December 31, 2017, 37% of the Company's reinsurance recoverable on total non-life and life and health reserves were due from reinsurers with A- or better rating from Standard & Poor's, compared to 59% at December 31, 2016. The remaining amounts included in Unrated above are all collateralized.

Currency

The Company's reporting currency is the U.S. dollar. The Company has exposure to foreign currency risk due to both its ownership of its Irish, French and Canadian subsidiaries and branches, whose functional currencies are the Euro

and the Canadian dollar, and to underwriting reinsurance exposures, collecting premiums and paying claims and other expenses in currencies other than the U.S. dollar and holding certain net assets in such currencies.

At December 31, 2017, the value of the U.S. dollar strengthened against most major currencies compared to December 31, 2016, which resulted in a decrease in the U.S. dollar value of the assets and liabilities denominated in non-U.S. dollar currencies. See Operating Results above for a discussion of the impact of foreign exchange and net foreign exchange gains and losses during the years ended December 31, 2017, 2016 and 2015.

The currency translation adjustment account is a component of accumulated other comprehensive income or loss in shareholders' equity. This account decreased by $15 million during the year ended December 31, 2017 compared to an increase of $12 million and a decrease of $46 million during the years ended December 31, 2016 and 2015, respectively, due to the translation of the financial statements of the Company's subsidiaries and branches, whose functional currencies are the Canadian dollar and the Euro, into U.S. dollars.

The reconciliation of the currency translation adjustment for the years ended December 31, 2017, 2016 and 2015 was as follows (in millions of U.S. dollars):

	2017	2016	2015
Currency translation adjustment at beginning of year	$(42)	$(54)	$(8)
Change in foreign currency translation adjustment included in accumulated other comprehensive loss, inclusive of the impact of designated net investment hedge	(15)	12	(46)
Currency translation adjustment at end of year	$(57)	$(42)	$(54)

The Company's gross and net exposure in its Consolidated Balance Sheet at December 31, 2017 to foreign currency as well as the associated foreign currency derivatives the Company has entered into to manage this exposure is presented in Quantitative and Qualitative Disclosures about Market Risk in Item 11 of this report.

See Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Risk in Item 11 for a discussion of the Company's risk related to changes in foreign currency movements, and Note 2(m) to the Consolidated Financial Statements in Item 18 of this report for a discussion of currencies to which the Company is exposed.

Effects of Inflation

The effects of inflation are considered implicitly in pricing and estimating non-life reserves. The actual effects of inflation on the results of operations of the Company cannot be accurately known until claims are ultimately settled.

Critical Accounting Policies and Estimates

The Company's Consolidated Financial Statements have been prepared in accordance with U.S. GAAP. 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. The following are the Company's accounting estimates that management believes are the most critical to its operations and require the most difficult, subjective and complex judgment. If actual events differ significantly from the underlying assumptions and estimates used by management, there could be material adjustments to prior estimates that could potentially adversely affect the Company's results of operations, financial condition and liquidity. These critical accounting policies and estimates should be read in conjunction with Note 2 to the Consolidated Financial Statements in Item 18 of this report.

Non-life and Life and Health Reserves

The Company's Non-life and Life and Health reserves are significant accounting estimates. These estimates are continually reviewed with any adjustments reflected in the periods in which they are determined, which may affect the Company's results in future periods. See Liquidity and Capital Resources—Reserves above and Notes 2(b) and 8 to the Consolidated Financial Statements in Item 18 of this report for further details.

Premium Estimates and Recoverability of Deferred Acquisition Costs

The Company provides proportional and non-proportional reinsurance coverage to cedants (insurance companies). In most cases, cedants seek protection for business that they have not yet written at the time they enter into reinsurance agreements and thus have to estimate the volume of premiums they will cede to the Company. Reporting delays are inherent in the reinsurance industry and vary in length by reinsurance market (country of cedant) and type of treaty. As delays can vary from a few weeks to a year or sometimes longer, the Company produces accounting estimates to report premiums and acquisition costs until it receives the cedants' actual premium reported data.

Under proportional treaties, which represented 72% of the Company's total gross premiums written for the year ended December 31, 2017, the Company shares proportionally in both the premiums and losses of the cedant and pays the cedant a

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commission to cover the cedant's acquisition costs. Under this type of treaty, the Company's ultimate premiums written and earned and acquisition costs are not known at the inception of the treaty. As such, reported premiums written and earned and acquisition costs on proportional treaties are generally based upon reports received from cedants and brokers, supplemented by the Company's own estimates of premiums written and acquisition costs for which ceding company reports have not been received. Premium and acquisition cost estimates are determined at the individual treaty level. The determination of premium estimates requires a review of the Company's experience with cedants, familiarity with each market, an understanding of the characteristics of each line of business and management's assessment of the impact of various other factors on the volume of business written and ceded to the Company. Premium and acquisition cost estimates are updated as new information is received from the cedants and differences between such estimates and actual amounts are recorded in the period in which estimates are changed or the actual amounts are determined.

Under non-proportional treaties, which represented the remaining 28% of the Company's total gross premiums written for the year ended December 31, 2017, the Company is typically exposed to loss events in excess of a predetermined dollar amount or loss ratio and receives a fixed or minimum premium, which is subject to upward adjustment depending on the premium volume written by the cedant. In addition, many of the non-proportional treaties include reinstatement premium provisions. Reinstatement premiums are recognized as written and earned at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on management's estimate of losses and loss expenses associated with the loss event.

The magnitude and impact of changes in premium estimates differs for proportional and non-proportional treaties. Although proportional treaties may be subject to larger changes in premium estimates compared to non-proportional treaties, as the Company generally receives cedant statements in arrears and must estimate all premiums for periods ranging from one month to more than one year (depending on the frequency of cedant statements), the pre-tax impact is mitigated by changes in the cedant's related reported acquisition costs and losses. The impact of the change in estimate on premiums earned and net income varies depending on when the change becomes known during the risk period and the underlying profitability of the treaty. Non-proportional treaties generally include a fixed minimum premium and an adjustment premium. While the fixed minimum premiums require no estimation, adjustment premiums are estimated and could be subject to changes in estimates.

The amounts recorded within net premiums earned that related to changes in prior year premium estimates reported by cedants for P&C and Specialty segments for the year ended December 31, 2017 were as follows (in millions of U.S. dollars:

	Net premiums earned
P&C	$ (20)
Specialty	17
Total	$ (3)

These changes in prior year premium estimates impacting net premiums written and earned, and after the corresponding adjustments to acquisition costs and losses and loss expenses, did not have a material impact on the Company's consolidated net income.

The recoverability of deferred acquisition costs is dependent upon the future profitability of the related business and the testing of recoverability to assess valuation is performed periodically together with a reserve adequacy test based on the latest best estimate assumptions by line of business.

See Notes 2(c), 2(d), 9(b) and 20 to the Consolidated Financial Statements in Item 18 of this report and Operating Results—Results by Segment in Item 5 of this report for accounting policies or further details regarding premiums and recoverability of deferred acquisition costs.

Recoverability of Deferred Tax Assets

Under U.S. GAAP, a deferred tax asset or liability is to be recognized for the estimated future tax effects attributable to temporary differences and carryforwards. U.S. GAAP also establishes procedures to assess whether a valuation allowance should be established for deferred tax assets. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed for some

portion or all of a deferred tax asset. Management must use its judgment in considering the relative impact of positive and negative evidence.

The Company has projected future taxable income in the tax jurisdictions in which the deferred tax assets arise based on management's projections of premium and investment income, capital gains and losses, and technical and expense ratios. Based on these projections and an analysis of the ability to utilize loss and foreign tax credits carryforwards at the taxable entity level, management evaluates the need for a valuation allowance.

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The Company has estimated the future tax effects attributed to temporary differences and has a deferred tax asset at December 31, 2017 of $95 million, after a valuation allowance of $186 million. The most significant component of the deferred tax asset (after valuation allowance) relates to loss reserve discounting for tax purposes.

In accordance with U.S. GAAP, the Company has assumed that the future reversal of deferred tax liabilities will result in an increase in taxes payable in future years. Underlying this assumption is an expectation that the Company will continue to be subject to taxation in the various tax jurisdictions and that the Company will continue to generate taxable revenues in excess of deductions.

See Notes 2(l) and 14 to the Consolidated Financial Statements in Item 18 of this report for further details.

Valuation of Investments Measured Using Significant Unobservable Inputs

As more fully described in Note 3 to the Consolidated Financial Statements in Item 18 of this report, the Company measures the fair value of its financial instruments according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. Unobservable inputs are inputs that reflect the Company’s assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. Level 3 financial instruments have the least use of observable market inputs used to determine fair value. As at December 31, 2017 the Company classified $1,400 million of investments and funds held–directly managed as Level 3 as a result of significant unobservable inputs used to determine fair value. See Note 3 to the Consolidated Financial Statements in Item 18 of this report for a breakdown of these investments by fair value level as well as more detail on the valuation techniques, methods and assumptions that were used by the Company to estimate the fair value of its fixed maturities, short-term investments, equities, other invested assets (including derivatives) and the funds held–directly managed account. See Notes 2(n) and 6 to the Consolidated Financial Statements in Item 18 of this report for more discussion of the Company’s use of derivative financial instruments.

See also Quantitative and Qualitative disclosures About Market Risk in Item 11 of this report for a further discussion of interest rate and credit spread risk and a sensitivity analysis of interest rate and credit spread variances on the valuation of the Company’s investments and funds withheld directly managed.

Valuation of Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations entered into prior to 2017 (PartnerRe SA, Winterthur Re, Paris Re and Presidio). The Company assesses the appropriateness of its valuation of goodwill on at least an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If, as a result of the assessment, the Company determines that the value of its goodwill is impaired, goodwill will be written down in the period in which the determination is made. In making an assessment of the value of its goodwill, the Company uses both market based and non-market based valuations. The fair value of the reporting units is determined based on the price-to-earnings multiples, book value multiples, and present value of estimated cash flows methods. Significant changes in the data underlying these assumptions could result in an assessment of impairment of the Company’s goodwill asset. In addition, if the current economic environment and/or the Company’s financial performance were to deteriorate significantly, this could lead to an impairment of goodwill, the write-off of which would be recorded against net income in the period such deterioration occurred.

Based upon the Company’s assessment, there was no impairment of the Company’s goodwill asset of $456 million at December 31, 2017.

Intangible assets represent the fair value adjustments related to unpaid losses and loss expenses and the fair values of renewal rights, customer relationships and U.S. licenses arising from the acquisitions referred to above in addition to life value of business acquired (life VOBA) and insurance licenses acquired related to the Aurigen acquisition. Definite-lived intangible assets are amortized over their useful lives while indefinite-lived intangible assets are not subject to amortization. The carrying values of intangible assets are reviewed for indicators of impairment on at least an annual basis, or more frequently if events or changes in circumstances indicate that impairment may exist. Impairment is recognized if the carrying values of the intangible assets are not recoverable from their undiscounted cash flows and are measured as the difference between the carrying value and the fair value. Based upon the

Company’s assessment, there was no impairment of its intangible assets of $160 million at December 31, 2017.
See Notes 2(j), 2(k) and 7 to the Consolidated Financial Statements in Item 18 of this report for further details.

New Accounting Pronouncements

See Note 2(r) to the Consolidated Financial Statements included in Item 18 of this report.

C. Research and Development, Patents and Licenses, etc.

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Not applicable.

D. Trend Information

For a discussion of known trends, uncertainties and other events that are reasonably likely to have a material impact on the Company, see Operating Results in Item 5, Liquidity and Capital Resources in Item 5 and Tabular Disclosure of Contractual Obligations in Item 5 of this report.

E. Off-balance sheet arrangements

As more fully described in Note 10 to the Consolidated Financial Statements in Item 18 of this report, the Company has fully and unconditionally guaranteed the obligations related to debt issued to third parties by its finance subsidiaries as follows:

- senior notes with an aggregate principal amount of €750 million issued by PartnerRe Ireland Finance DAC
- senior notes with an aggregate principal of $500 million issued by PartnerRe Finance B LLC
- Junior Subordinated Capital Efficient Notes (CENts) with a remaining aggregate principal amount of $63 million issued by PartnerRe Finance II Inc.

F. Tabular Disclosure of Contractual Obligations

In the normal course of its business, the Company is a party to a variety of contractual obligations as summarized below. These contractual obligations are considered by the Company when assessing its liquidity requirements and the Company is confident in its ability to meet all of its obligations. Contractual obligations at December 31, 2017 were as follows (in millions):

	Total	< 1 year	1-3 years	3-5 years	> 5 years
Contractual obligations:					
Operating leases	$94.8	$17.2	$20.5	$18.2	$38.9
Other operating agreements	$22.6	$13.8	$8.0	$0.8	$—
Other invested assets [1]	$315.0	$109.0	$155.0	$51.0	$—
Non-life reserves [2]	$9,710.5	$3,013.1	$2,812.2	$1,325.3	$2,559.9
Life and health reserves [3]	$3,324.6	$747.5	$496.9	$271.0	$1,809.2
Deposit liabilities	$10.9	$5.4	$2.0	$0.9	$2.6
Senior notes and Preferred Shares:					
2010 senior notes—principal [4]	$500.0	$—	$500.0	$—	$—
2010 senior notes—interest	$68.8	$27.5	$41.3	$—	$—
2016 senior notes—principal [5]	€750.0	€—	€—	€—	€750.0
2016 senior notes—interest	€47.0	€9.4	€18.8	€18.8	€9.4 per annum
Capital efficient notes—principal [6]	$63.4	$—	$—	$—	$63.4
Capital efficient notes—interest	n/a	[7]	[7]	[7]	[7]
Series F non-cumulative preferred shares—principal [7]	$66,985.7	$—	$—	$—	$66,985.7
Series F non-cumulative preferred shares—dividends	n/a	3,935.4	7,870.8	7,870.8	$3.9 per annum
Series G cumulative preferred shares—principal [8]	$160,381.6	$—	$—	$160.4	$—
Series G cumulative preferred shares—dividends	n/a	$10,424.8	$20,849.6	$3.5	$10.4 per annum
Series H cumulative preferred shares—principal [8]	$293,845.0	$—	$—	$293.8	$—
Series H cumulative preferred shares—dividends	n/a	$21,303.8	$42,607.6	$7.1	$21.3 per annum
Series I non-cumulative preferred shares—principal [7]	$183,014.4	$—	$—	$—	$183,014.4
Series I non-cumulative preferred shares—dividends	n/a	$10,752.1	$21,504.2	$21,504.2	$10.8 per annum

n/a: Not applicable

(1)

The amounts above for other invested assets represent the Company's expected timing of funding capital commitments related to its strategic investments.

(2) The Company's non-life reserves represent management's best estimate of the cost to settle the ultimate liabilities based on information available at December 31, 2017, and are not fixed amounts payable pursuant to contractual commitments. The timing and amounts of actual loss payments related to these reserves might vary significantly from the Company's current

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estimate of the expected timing and amounts of loss payments based on many factors, including large individual losses as well as general market conditions.

(3) Life and health reserves at December 31, 2017 of $2,490 million are computed on a discounted basis, whereas the expected payments by period in the table above are the estimated payments at a future time and do not reflect a discount of the amount payable.

(4) PartnerRe Finance B LLC, the issuer of the 2010 senior notes, does not meet consolidation requirements under U.S. GAAP. Accordingly, the Company shows the debt to PartnerRe Finance B LLC of $500 million in its Consolidated Balance Sheet at December 31, 2017 and 2016. The 2010 senior notes of an aggregate principal outstanding of $500 million mature on June 1, 2020. Interest on the senior notes is payable semi-annually and cannot be deferred.

(5) PartnerRe Ireland Finance DAC, the issuer of the 2016 senior notes, meets the consolidation requirements under U.S. GAAP. Accordingly, the Company shows the debt to third parties of €750 million in its Consolidated Balance Sheet at December 31, 2017. The 1.250% senior notes with aggregate principal outstanding of €750 million mature on September 15, 2026. Interest on the senior notes is payable annually commencing on September 15, 2017.

(6) PartnerRe Finance II Inc., the issuer of the CENts, does not meet consolidation requirements under U.S. GAAP. Accordingly, the Company shows the debt to PartnerRe Finance II Inc. of $71 million in its Consolidated Balance Sheet at December 31, 2017. The aggregate principal amount of the CENts of $63 million, representing PartnerRe Finance II Inc.'s debt to third parties, is included in the table above. The CENts will mature on December 1, 2066 and may be redeemed at the option of the issuer, in whole or in part, since December 1, 2016 upon occurrence of specific rating agency or tax events. Interest on the CENts is payable quarterly until maturity at an annual rate of 3-month LIBOR plus a margin equal to 2.325%. As a result of the variable interest rate, the table above does not show the interest payable.

(7) The Company’s 5.875% Series F and I preferred shares are non-cumulative, perpetual and have no mandatory redemption requirement, but may be redeemed at the Company’s option at any time or in part from time to time on or after March 1, 2018 and May 1, 2021, respectively.

(8) The Company’s 6.50% Series G and 7.25% Series H preferred shares are cumulative, perpetual and have no mandatory redemption requirement, but may be redeemed at the Company’s option at any time or in part from time to time on or after May 1, 2021. Should the current interest rate environment persist, it is reasonable to expect that the Company would redeem these preferred shares in 2021.

The Contractual Obligations and Commitments table above does not include an estimate of the period of cash settlement of its tax liabilities with the respective taxing authorities given the Company cannot make a reasonably reliable estimate of the timing of cash settlements.

See Notes 10 and 11 to the Consolidated Financial Statements in Item 18 of this report for further details related to debt and preferred shares.

Due to the limited nature of the information presented above, it should not be considered indicative of the Company’s liquidity or capital needs. See Liquidity section above.

The Company has committed to a 10 year structured letter of credit facility issued by a high credit quality international bank, which has a final maturity of December 29, 2020. At December 31, 2017, the Company’s participation in the facility was $67 million. At December 31, 2017, the letter of credit facility has not been drawn down and can only be drawn down in the event of certain specific scenarios, which the Company considers remote. Unless canceled by the bank, the credit facility automatically extends for one year, each year until maturity.

G. Safe Harbor

PartnerRe Ltd. has made statements in this annual report on Form 20-F 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,” or “continue,” the 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 in Risk Factors in Item 3 of this report.

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 20-F to conform our prior statements to actual results or revised expectations.

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H. Non-GAAP Financial Measures

The Company has not presented or discussed any non-GAAP financial measures in this report as an addition to or substitute for measures of financial performance prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following are the directors and executive officers of the Company as of March 13, 2018.

Name	Position with the Company	Date Appointed
John Elkann	Director, Chairman of the Board	March 18, 2016
Brian Dowd	Director, Chairman of the Audit Committee	March 18, 2016
Patrick A. Thiele	Director, Member of the Audit Committee	March 18, 2016
Enrico Vellano	Director	March 28, 2016
Bilge Ogut	Director	July 28, 2016
Nikhil Srinivasan	Director	August 5, 2016
Emmanuel Clarke	Director, President and CEO, PartnerRe Ltd. and CEO Specialty	March 24, 2016
Mario Bonaccorso	Executive Vice President and CFO, PartnerRe Ltd.	April 4, 2016
Charles Goldie	CEO Property & Casualty	July 1, 2016
Scott Altstadt	Chief Underwriting Officer	July 1, 2016
Theodore C. Walker	Member of Executive Committee (retiring March 31, 2018)	July 1, 2016
Marvin Pestcoe	Executive Vice President (retiring March 31, 2018)	July 1, 2016
Marc Archambault	CEO Life and Health	April 1, 2017
Dorothée Burkel	Chief Corporate and People Operations Officer	October 2, 2017
Turab Hussain	Chief Risk and Actuarial Officer	December 2, 2017

Biographical information

- John Elkann, Director, Chairman of the Board

John Elkann is also Chairman and CEO of EXOR and Chairman of Fiat Chrysler Automobiles N.V. Mr. Elkann obtained a scientific baccalaureate from the Lycée Victor Duruy in Paris, and graduated in Engineering from Politecnico, the Engineering University of Turin. While at university, he gained work experience in manufacturing, sales and marketing at various companies within the Fiat Group in the U.K., Poland and France. He started his professional career in 2001 at General Electric as a member of the Corporate Audit Staff, with assignments in Asia, the U.S. and Europe. Mr. Elkann is Chairman of Giovanni Agnelli e C. Sapaz. and Italiana Editrice. He is a board member of The Economist Group, News Corporation and Ferrari S.p.A. Mr. Elkann is a member of Museum of Modern Art as well as Vice Chairman of the Italian Aspen Institute and the Giovanni Agnelli Foundation.

- Brian Dowd, Director, Chairman of the Audit Committee (Independent)

Previously, Mr. Dowd was a member of the Office of the Chairman of ACE Group, focusing on underwriting-related matters, including oversight of the ACE Group's product boards, the general underwriting disciplines of the company's profit centers, outward reinsurance placements and run-off operations and special strategic projects. Mr. Dowd also held relevant positions at ACE Group from 1997 until his appointment as Chairman of ACE's Insurance – North America business segment in 2006. He also held the role of Vice Chairman of ACE Limited from 2009 until his retirement in 2015. Prior to that, Mr. Dowd held underwriting positions of increasing responsibility at Arkwright Mutual Insurance Company over a seven-year period. He holds a Bachelor of Science (B.S.) in Finance from Northern

Illinois University, as well as the Chartered Property Casualty Underwriter professional designation.

- Patrick A. Thiele, Director, Member of the Audit Committee (Independent)

Mr. Thiele served as CEO of PartnerRe from 2000 until his retirement in 2010. In February 2014, Mr. Thiele joined the board of One Beacon Insurance Group, and in February 2015, he joined the boards of the investment companies in the Mairs and Power family of mutual funds. Mr. Thiele previously held executive roles at CGU plc (now Aviva plc) and at The St. Paul Companies, where he spent the first 20 years of his insurance career, culminating in his appointment as its CEO of Worldwide Insurance Operations. Mr. Thiele began his career in 1975, working as a securities analyst with the National Bank of Detroit. He holds both a B.S. in Finance and a Master in Business Administration from the University of Wisconsin, Madison, as well as the Chartered Financial Analyst designation.

- Enrico Vellano, Director

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Mr. Vellano is also the Chief Financial Officer (CFO) of EXOR. In 1992, Mr. Vellano started his professional career at Arthur Andersen LLP. In 1995, he joined SAI Assicurazioni where he specialized in the management of equity and bond portfolios. In 1997, he began working at Istituto Finanziario Italiano Laniero (IFIL), the investment company controlled by the Agnelli Family. In 2006 he was named CFO of IFIL, which was merged with Instituto Finanziario Italiano in 2009 to create EXOR. He is also a board member of Juventus Football Club, Almacantar S.A. and Emittenti Titoli. Mr. Vellano holds a Bachelor of Arts in Economics at the University of Torino. Mr. Vellano resigned as Director of the Company effective March 8, 2018.

- Bilge Ogut, Director (Independent)

Ms. Ogut is Head of Private Equity in Europe at Partners Group, the global private markets investment manager firm, and is a member of Partners Group’s Private Equity Directs Investment Committee and Private Equity Primaries Europe Investment Committee. Prior to joining Partners Group she was Deputy Head of Private Equity at Standard Bank International from 2010 to 2011 and was with Warburg Pincus from 1998 to 2009.

- Nikhil Srinivasan, Director

Mr. Srinivasan is the former Group Chief Investment Officer and a member of the Group Management Committee of Generali and Chairman of Generali Real Estate. Prior to joining Generali, he was at Allianz SE for ten years based in Singapore and Munich, where he was Group Chief Investment Officer and a member of Allianz SE’s International Executive Committee responsible for the firm’s investment strategy.

- Emmanuel Clarke, Director, President and CEO, PartnerRe Ltd. and CEO Specialty

Mr. Clarke is responsible for leading and managing the Company’s operations. He is also a member of the Company's Executive Committee. Mr. Clarke has 20 years of professional experience in the reinsurance industry. He joined PartnerRe in 1997 and was appointed as Head of Credit & Surety, PartnerRe Global in 2002 and Head of P&C, PartnerRe Global in 2006. In 2008, Mr. Clarke was appointed as Head of Specialty Lines, PartnerRe Global and Deputy CEO of PartnerRe Global. Effective September 1, 2010, Mr. Clarke was appointed as CEO of PartnerRe Global. On September 8, 2015, Mr. Clarke was appointed President of PartnerRe and on 24 March, 2016, Mr. Clarke was appointed CEO of PartnerRe. Mr. Clarke has a MBA from the University Paris, IX - Dauphine, specializing in Finance and Controlling and a MBA in International Business from Baruch College of CUNY.

- Mario Bonaccorso, Executive Vice President and CFO, PartnerRe Ltd.

Mr. Bonaccorso is a member of PartnerRe’s Group Executive Committee and is responsible for the Company’s financial operations. Prior to joining PartnerRe, Mr. Bonaccorso served as Managing Director of EXOR for nine years where he was responsible for investments and the management of EXOR’s portfolio companies. Prior to joining EXOR, Mr. Bonaccorso worked as a Research and Development Telecom Engineer at Qualcomm Inc., as an engagement manager at McKinsey & Co. and as Chief Investment Officer of Jupiter Finance. Mr. Bonaccorso has a Master of Science cum laude in Telecommunications Engineering at Politecnico di Torino University and a MBA with honors from INSEAD. Mr. Bonaccorso has served on behalf of EXOR on the board of directors of Cushman & Wakefield, Banijay Holding, Banca Leonardo and EXOR SA.

- Charles Goldie, CEO Property & Casualty

Charles Goldie is a member of PartnerRe’s Group Executive Committee and is responsible for the executive management of PartnerRe’s Property and Casualty worldwide business segment. Mr. Goldie has over 25 years of experience both as an actuary and as a reinsurance underwriting manager. He joined PartnerRe in 2002 as head of the U.S. Specialty Lines portfolio and in 2009 was named Head of Risk Management and Reserving for PartnerRe Global. Prior to joining PartnerRe, he worked for Gerling Global Reinsurance Corp of America as Head of Casualty Underwriting and for Milliman as a consulting actuary. Mr. Goldie has a BSc in Economics from the State University of New York at Binghamton and is a fellow of the Casualty Actuarial Society.

- Scott Altstadt, Chief Underwriting Officer

Scott Altstadt is a member of PartnerRe’s Group Executive Committee and is responsible for the Company’s underwriting function. Mr. Altstadt has over 27 years of professional experience in the insurance and reinsurance industries. He joined PartnerRe in 2001, as Senior Pricing Actuary of P&C and was appointed as Chief Pricing Actuary for Specialty Lines in 2002, becoming Deputy Head of P&C in 2008. He was appointed to the position of Chief Underwriting Officer PartnerRe Global in 2013. Prior to joining PartnerRe, Mr. Altstadt worked in the U.S. and

Europe with Zurich Financial Services and CNARe. Mr. Altstadt has a B.S. in Mathematics and Statistics from Purdue University.

- Theodore C. Walker, Member of Executive Committee (retiring March 31, 2018)

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Mr. Walker has over 25 years' experience in the reinsurance and insurance industries and has been with the Company since 2002. He has held the positions of CEO P&C Worldwide, President and CEO of North America, with executive responsibility for North America, and Executive Vice President and Chief Underwriting Officer for PartnerRe U.S. with responsibility for all underwriting activities in the U.S. business units. Previously, he was responsible for PartnerRe's worldwide book of catastrophe business, in the role of Head of Catastrophe. Prior to joining PartnerRe, Mr. Walker was Senior Vice President at American Re, where he was responsible for the company's Latin American operations. Mr. Walker then worked for ten years at Bacardi International as Risk Manager, and then as Vice President of Bacardi Capital, the Group's treasury arm. He began his career as an insurance and reinsurance broker for Sedgwick in London and Boston. Mr. Walker holds a B.S. from Georgetown University's School of Foreign Service. He currently serves on the Board of Overseers at St. John's School of Risk Management, as a Board Member of Bacardi Limited and as a Board Member of Crane & Co., an international paper and currency manufacturer. Mr. Walker is a past Chairman of the Reinsurance Association of America and is a current member of their board of directors.

- Marvin Pestcoe, Executive Vice President (retiring March 31, 2018)

Marvin Pestcoe is a member of PartnerRe's Group Executive Committee. Mr. Pestcoe has 30 years of experience in property and casualty insurance, reinsurance and investments. He joined PartnerRe in 2001 as head of the Company's Alternative Risk Operations, and in 2008 was appointed Deputy Head of Capital Markets Group and Head of Capital Assets. In 2010 he assumed responsibility for all Investment Operations and executive responsibility for the worldwide Life Operations. Following the acquisition of Presidio in 2012 these responsibilities were expanded to include health insurance and reinsurance. Prior to joining PartnerRe, Mr. Pestcoe was Chief Actuary of Swiss Re New Markets. Mr. Pestcoe is a fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

- Marc Archambault, CEO Life and Health

Marc Archambault is a member of PartnerRe's Group Executive Committee and is responsible for its worldwide Life and Health business segment. Mr. Archambault has more than 26 years of experience in Life reinsurance, most recently as CEO of SCOR Global Life Asia-Pacific, where he led the company's regional growth strategy in those markets, and as a member of the senior management team for Global Life. Prior to that, Mr. Archambault held a number of senior management positions at SCOR where he implemented growth strategies and product development initiatives across multiple international markets in Europe, North America, Asia and Africa. Mr. Archambault holds a Bachelor of Actuarial Science from Laval University in Quebec, Canada and is an Associate with the Canadian Institute of Actuaries.

- Dorothée Burkel Chief Corporate and People Operations Officer

Dorothée Burkel is a member of the Company's Executive Committee and is responsible for strategies related to attracting, developing and retaining the best talent, aligning culture and strategy, and ensuring governance and operational effectiveness. Ms. Burkel specializes in Human Resources & Communications and has experience across a number of international companies. Prior to joining PartnerRe, Ms. Burkel was formerly the Human Resources Director for Google Southern Europe from 2008 – 2012. In 2012, this role was extended to include the Middle East and Africa and in 2015, to the entire EMEA region where she supported Google's Business and G&A functions. Ms. Burkel worked for AOL France from 2001 to 2005 as the Human Resources Director and was promoted to Vice President for Human Resources and Corporate Communications for AOL France in 2005. Before leaving in 2008, she also took on the responsibility for Branding and Communications for AOL Europe. Ms. Burkel holds a Master's degree in French Modern Literature and graduated with honors in Political Sciences from the Institut d'Etudes Politiques in Paris.

- Turab Hussain Chief Risk and Actuarial Officer

Mr. Hussain is a member of the Company's Executive Committee and is responsible for the risk management, capital modeling and reserving functions. Mr. Hussain has more than 20 years' experience in the insurance and reinsurance industries. Prior to joining PartnerRe, Mr. Hussain held several senior actuarial and underwriting roles with responsibility for reserving, risk assessment, capital allocation and analysis at the Hartford as well as Arch Insurance

Group and American Reinsurance. Mr. Hussain is an Associate of the Casualty Actuarial Society (ACAS), a Member of the American Academy of Actuaries (MAAA) and a Chartered Enterprise Risk Analyst (CERA). He earned his bachelor’s degree in economics and statistics from Rutgers University.

The Directors referred to above as "Independent" are considered independent in accordance with the definition of the applicable NYSE and SEC Rules.

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B. Compensation

Director Compensation

During 2017, the directors received approximately $1.2 million in cash as compensation for their services as directors. Mr. Clarke did not receive any compensation for his services as a director in 2017. All directors are reimbursed for travel and other related expenses personally incurred while attending Board or committee meetings.

Executive Compensation

Executive compensation is comprised of salary, annual incentives and other benefits. During 2017, PartnerRe's executive officers earned $20.7 million in compensation. Long-term incentive (LTI compensation) is excluded from this total and is described in more detail below.

Long-term incentive (LTI) Program

The 2017 LTI Program consisted of awards either in a form of cash or class B shares (defined below) with a three-year cliff vest issued to certain executives.

During 2017, an executive officer had target LTI values in local currencies and were awarded an aggregate of $1.3 million in LTI cash compensation. Upon vesting, target awards will be adjusted based on the Company's performance measure which is a three-year compound Return on Capital (ROC) metric.

In May 2017, the Company designated a new class of common shares (Class B shares) that may be granted to or purchased by certain executives of the Company at the discretion of the Company. The LTI Committee of the Board approved the related Certificate of Designation which stipulated that the granted shares are restricted from sale for three years from date of grant and grants can be made by the Company twice a year as of March 1 or September 1. In addition, the Class B shares can be redeemed, subject to certain restrictions, at the option of the employee with respect to Class B purchased shares, and after the three-year restriction period for granted shares. However, per the notice of grant provided to the employee, once the restriction period has expired, the employee can only sell or transfer the restricted shares back to the Company provided the employee, continues to hold an agreed minimum of four times (4X) their gross LTI target value, unless otherwise agreed in writing. During 2017, certain PartnerRe's executive officers were awarded an aggregate $6.3 million in Class B shares.

See also Item 6.E below for details of share ownership related to the Class B shares and Item 10.D regarding restrictions on share transfers.

C. Board Practices

The Board currently consists of seven directors (see Item 6.A above for details). The current Board have been elected to serve until the next Annual General Meeting of the Company or until their respective successors are appointed. As provided in our Bye-Laws, the number of Directors shall be such number not less than three as the Company by Resolution may, from time to time, determine (see also Item 10.B for the details of the Company's Bye-laws).

There are no service contracts between the Company and any of the Company's directors providing for benefits upon termination of their employment or service.

Audit Committee

The Board has established an Audit Committee comprised of Messers. Thiele and Dowd who are independent in accordance with the definition of the applicable NYSE and SEC Rules. Mr. Thiele is designated as the Audit Committee financial expert as noted in Item 16A of this report.

Pursuant to its charter, the Audit Committee's primary responsibilities are to assist Board oversight of:

- the integrity of PartnerRe's financial statements;
- PartnerRe's compliance with legal and regulatory requirements;
- the Company's system of internal controls;
- the qualifications and independence of the external auditors; and
- the performance of the Company's internal and external audit functions.

The Audit Committee regularly meets with management, the Chief Audit Officer and the Company's independent registered public accounting firm to review matters relating to the quality of financial reporting and internal accounting controls, including the

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nature, extent and results of their audits. In addition, the Audit Committee discusses the Company's policies with respect to risk assessment and risk management processes.

D. Employees

The Company had 978 employees at December 31, 2017. The following table show the breakdown of the number of employees by geographic location as of December 31, 2017, 2016 and 2015:

Geographic location	2017	2016	2015
Asia, Australia and New Zealand	46	46	40
Europe	537	539	568
Latin America, Caribbean and Africa	7	7	5
North America	388	365	422
Total	978	957	1,035

The increase in the number of employees in 2017 compared to 2016 was primarily driven by the inclusion of Aurigen employees in 2017. The decrease in 2016 compared to 2015 was due to the efficiency actions undertaken following the closing of the acquisition by EXOR N.V.

E. Share ownership

As more fully described in B. Compensation above, during 2017, the Company designated, granted, and issued Class B common shares to certain executives of the Company.

The Company's Class A common shares, which are classified as Common shares in the Shareholder's Equity section of the Consolidated Balance Sheet, are owned by EXOR Nederland N.V. (previously named Exor N.V.). The Company's Class B common shares are classified as liabilities and, as a result, are not included in Common shares in the Shareholder's Equity section the Consolidated Balance Sheet.

As of December 31, 2017, 100,000,000 Class A common shares were held by EXOR Nederland N.V. and 255,492 Class B common shares were held by certain executive officers of the Company.

The Class B Common Shares issued and outstanding represent less than 0.3% of the beneficial ownership and voting rights of the Company. See Note 15 to the Consolidated Financial Statements in Item 18 of this report for further details.

Except as otherwise required by law or Certificate of Designation, holders of Class B Shares share the same voting rights as the holders of Class A Shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As more fully described in Note 1 to the Consolidated Financial Statements in Item 18 of this report, 100% of the Company's Class A shares are owned by EXOR Nederland N.V. Prior to the acquisition of 100% of the common shares of the Company, Exor held 9.9% of the publicly held common shares of the Company, which were acquired in 2015 in contemplation of the acquisition.

B. Related Party Transactions

As at December 31, 2017 and 2016 EXOR Nederland N.V. held 100% of the Class A shares and more than 99% of the total voting shares (Class A and Class B) of the Company and therefore has the power to make decisions that impact the Company.

The Company has entered into certain related party transactions as disclosed in Notes 10 and 19 to the Consolidated Financial Statements in Item 18 of this report.

C. Interests of Experts and Counsel

Not applicable.

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ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and Financial Statements Schedules in Item 18 of this report.

B. Significant Changes

See Note 22 to the Consolidated Financial Statements in Item 18 for a disclosure of events subsequent to year end and prior to the date of filing.

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ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The Company's common shares are no longer listed as a result of the acquisition by Exor N.V. in March 2016. The Company's preferred shares are listed on the NYSE under the symbols PRE-F, PRE-G, PRE-H, and PRE-I. Refer to Note 11 to the Consolidated Financial Statements in Item 18 of this report for further details.

The following table sets forth, for the periods indicated, the high and low market prices per share of the Company's preferred shares that remain outstanding as of December 31, 2017 as reported on the NYSE (in U.S. dollars):

For the year ended December 31,	2017		2016		2015		2014		2013	
	High	Low	High	Low	High	Low	High	Low	High	Low
Series F	26.24	24.07	27.48	22.95	26.56	23.90	25.61	20.12	25.15	19.88
Series G	27.59	25.47	30.33	25.32	n/a	n/a	n/a	n/a	n/a	n/a
Series H	30.82	27.11	32.40	25.02	n/a	n/a	n/a	n/a	n/a	n/a
Series I	27.08	23.56	28.94	22.97	n/a	n/a	n/a	n/a	n/a	n/a

For the quarter ended	December 31, 2017		September 30, 2017		June 30, 2017		March 31, 2017	
	High	Low	High	Low	High	Low	High	Low
Series F	25.97	25.22	26.24	24.81	25.84	25.12	25.87	24.07
Series G	27.44	26.71	27.59	26.65	27.52	26.52	26.82	25.47
Series H	29.54	28.15	30.82	28.11	29.56	28.53	28.97	27.11
Series I	27.08	26.04	26.35	25.38	26.53	25.45	25.63	23.56

For the quarter ended	December 31, 2016		September 30, 2016		June 30, 2016		March 31, 2016	
	High	Low	High	Low	High	Low	High	Low
Series F	26.54	22.95	27.48	25.66	26.18	24.50	26.92	24.81
Series G	28.99	25.32	30.33	28.16	29.86	26	n/a	n/a
Series H	30.82	25.02	32.40	29.52	30.98	26.76	n/a	n/a
Series I	27.83	22.97	28.94	26.1	26.19	24.91	n/a	n/a

Each month for the most recent six months	February 28, 2018		January 31, 2018		December 31, 2017		November 30, 2017		October 31, 2017		September 30, 2017	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Series F	25.46	24.70	25.60	25.00	25.83	25.22	25.90	25.27	25.97	25.31	25.74	24.81
Series G	26.55	25.81	26.98	26.19	27.44	26.80	27.37	26.87	27.44	26.71	27.08	26.65
Series H	28.28	26.81	29.17	27.23	29.54	28.60	29.54	28.49	29.14	28.15	29.37	28.37
Series I	25.63	24.91	26.27	24.95	26.71	26.04	26.99	26.15	27.08	26.05	26.32	25.38

B. Plan of Distribution

Not applicable.

C. Markets

Each series of the Company's preferred shares is listed and traded on the NYSE. The 5.875% Series F Non-Cumulative Preferred Shares began trading on February 19, 2013 and the 6.50% Series G Cumulative Preferred Shares, the 7.25% Series H Cumulative Preferred Shares and the 5.875% Series I Non-Cumulative Preferred Shares began trading on May 6, 2016.

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D. Selling Shareholders
Not applicable.
E. Dilution
Not applicable.
F. Expenses of the Issue
Not applicable.

ITEM 10. ADDITIONAL INFORMATION
A. Share Capital
Not applicable.
B. Memorandum and Articles of Association
The Company's Amended Memorandum of Association has been filed as exhibit 3.1 to Form F-3 (File no 333-7094) filed with the SEC on June 20, 1997, and is hereby incorporated by reference into this Annual Report.
The Company's Bye-laws were adopted on March 18, 2016 and filed as exhibit 3.1 to the Company's Report on Form 8-K (File No 001-14536) filed with the SEC on March 18, 2016, and are hereby incorporated by reference into this Annual Report.
Corporate Registration and Objectives
PartnerRe Ltd. is incorporated under the laws of Bermuda. The Company is registered at the Bermuda Registrar under the number 18620. The purposes and powers of the Company are set forth in Items 6 and 7 (b) through (n) and (p) to (u) inclusive of the Second Schedule of the Bermuda Companies Act of 1981, as amended.
Board of Directors
The Companies Act authorizes the directors of a company, subject to its bye-laws, to exercise all powers of the company except those that are required by the Companies Act or its bye-laws to be exercised by the shareholders. The Company's Bye-Laws provide that its business is to be generally managed and conducted by the Board and that the Board shall be such number not less than three as the Company by resolution may, from time to time, determine. The Directors shall be elected or appointed at the Annual General Meeting, at any Special General Meeting called for that purpose or by Resolution. Directors shall hold office for such term as the Shareholders may determine or, in the absence of such determination, until the next Annual General Meeting or until their successors are elected or appointed or their office is otherwise vacated.
Under the Company's Bye-laws and subject to the Companies Act, a Director is not prohibited from being a party to or otherwise have an interest in, any transaction or arrangement with the Company or in which the Company is otherwise interested. A Director who has complied with the Companies Act and with the Company's Bye-laws with regard to declaring the nature of his interest in a transaction or arrangement with the Company, or in which the Company is otherwise interested, may be counted in the quorum and vote at any meeting at which such transaction or arrangement is considered by the Board.
In addition to its powers under Bye-Law 27, the Board on behalf of the Company may provide benefits, whether by the payment of gratuities or pensions or otherwise, for any person including any Director or former Director who has held any executive office or employment with the Company or with any body corporate which is or has been a subsidiary or Affiliate of the Company or a predecessor in the business of the Company or of any such subsidiary or Affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person.
The Company may in a Special General Meeting called for that purpose remove a Director, provided notice of any such meeting shall be served upon the Director concerned not less than fourteen (14) days before such meeting and s/he shall be entitled to be heard at such meeting. The Shareholders may authorize the Directors to fill any vacancy in their number, from time to time.
Under the Company's Bye-Laws the quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be three (3) individuals and requires the presence of at least one Majority Shareholder Director Designee for so long as the Board consists of at least one Majority Shareholder

Director Designee. Any

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Director who ceases to be a Director at a meeting of the Board may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

A resolution in writing signed by all the Directors for the time being entitled to receive notice of a meeting of the Board shall be valid and effectual as a resolution pass at a meeting of the Board.

A meeting of the Board or a committee appointed by the Board may be held by means of such telephone, electronic or other communication facilities (including, without limiting the generality of the foregoing, by telephone or by video conferencing) as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting. Such a meeting shall be deemed to take place where the largest group of those Directors participating in the meeting is physically assembled, or, if there is no such group, where the chairman of the meeting then is.

Among the powers of the Company which the Board may exercise, the Board is allowed to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company. The Board may also issue debentures and other securities (whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons).

Bermuda law provides that the Directors owe a fiduciary duty to the Company to act in good faith in their dealings with or on behalf of the Company and exercise their powers and fulfill the duties of their office honestly. This duty include the following essential elements:

- a duty to act in good faith in the best interests of the Company;
- a duty not to make a personal profit from opportunities that arise from the office of director;
- a duty to avoid situations in which there is an actual or potential conflict between a personal interest or the duties owed to third parties and/or the Director's duty to the Company; and
- a duty to exercise powers for the purpose for which such powers were intended.

The Companies Act imposes a duty on the Directors and Officers to:

- act honestly and in good faith with a view to the best interests of the Company; and
- exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Companies Act also imposes various duties on the Directors and Officers with respect to certain matters of management and administration of the Company.

Under Bermuda law, the Directors and Officers generally owe fiduciary duties to the Company itself, not to the Company's individual shareholders or members, creditors, or any class of either shareholders, members or creditors.

Shares and Share Rights

Subject to any special rights conferred on the holders of any Share or class of Shares, any Share in the Company may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Board may determine.

Subject to the general provisions of Bermuda law, the Board may, at its discretion and without the sanction of a Resolution, authorize the acquisition by the Company of its own Shares, of any class, at any price (whether at par or above or below par). Under Bermuda law, the Company must pay for such share purchases out of capital paid-up for these shares, out of funds that would otherwise be available for a dividend or distribution or out of proceeds of the issue of additional shares for the purpose of the purchase. However, to the extent that any premium over the par value is payable on the purchase, the premium must be provided out of funds that would otherwise be available for a dividend or distribution or out of the Company's share premium account.

Any Shares to be purchased may be selected in any manner whatsoever, to be either cancelled or held as Treasury Shares, upon such terms as the Board may in its discretion determine, provided always that such acquisition is effected in accordance with the provisions of the Companies Act. The whole or any part of the amount payable on any such acquisition may be paid or satisfied otherwise than in cash, to the extent permitted by the Companies Act.

As provided in our Bye-Laws and subject to the Companies Act, all or any of the special rights for the time being attached to any class of Shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or

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abrogated with the consent in writing of the holders of not less than seventy five percent (75%) of the issued Shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of not less than seventy five percent (75%) of the issued Shares of that class, voting in person or by proxy. To any such separate general meeting, all the provisions of these Bye-Laws as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) or more persons holding or representing by proxy any of the Shares of the relevant class, that every holder of Shares of the relevant class shall be entitled on a poll to one vote for every such Share held by him and that any holder of Shares of the relevant class present in person or by proxy may demand a poll; provided however, that if the Company or a class of Shareholders shall have only one Shareholder, one Shareholder present in person or by proxy shall constitute the necessary quorum.

Subject to Bermuda law and except insofar as the rights attaching to, or the terms of issue of, any Share otherwise provide, the Board may from time to time declare dividends or distributions out of contributed surplus to be paid to the Shareholders according to their rights and interests, including such interim dividends as appear to the Board to be justified by the position of the Company. The Board, in its discretion, may determine that any dividend shall be paid in cash or shall be satisfied, subject to the Bye-Laws, in paying up in full Shares in the Company to be issued to the Shareholders credited as fully paid or partly paid or partly in one way and partly the other. The Board may also pay any fixed cash dividend which is payable on any Shares of the Company half yearly or on such other dates, whenever the position of the Company, in the opinion of the Board, justifies such payment.

The Board may from time to time resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any Share premium account and accordingly that such amount be set free for distribution amongst the Shareholders or any class of Shareholders who would be entitled thereto.

If the Company shall be wound up, the liquidator may, with the sanction of a Resolution of the Company and any other sanction required by the Companies Act, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any Shares or other assets upon which there is any liability.

General Meetings of Shareholders and Voting Rights

If required under the Companies Act, the Board shall convene and the Company shall hold general meetings as Annual General Meetings in accordance with the requirements of the Companies Act at such times and places as the Board shall appoint or, if requested in writing signed by the Majority Common Shareholder, at such times and places as the Majority Common Shareholder shall request. The Board may, whenever it thinks fit, and shall, when required by the Companies Act or when requested by the Majority Common Shareholder, convene general meetings other than Annual General Meetings which shall be called Special General Meetings, at such time and place as the Board may appoint or, if requested in writing signed by the Majority Common Shareholder, at such time and place as the Majority Common Shareholder shall request. Except as required by the Companies Act or when requested by the Majority Common Shareholder, Special General Meetings may not be called by any person other than the Board. Save where a greater majority is required by the Companies Act or the Bye-Laws, any question proposed for consideration at any general meeting shall be decided on by a simple majority of votes cast.

Except in the case of the removal of auditors or Directors, anything which may be done by resolution of the Shareholders in general meeting or by resolution of any class of Shareholders in a separate general meeting may be done by resolution in writing. Any such Resolution shall be signed by such number of Shareholders (or the holders of such class of Shares) as would be required if the Resolution had been voted on at a meeting of Shareholders or, all the Shareholders, or such other majority of the Shareholders as may be provided by the Bye-Laws. Such resolution in writing may be signed by the Shareholder or its proxy, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Act) by its representative on behalf of such Shareholder, in as many counterparts as may be necessary.

Under our Bye-laws should any person (other than EXOR or any member of the Exor Group) be a Ten Percent Shareholder, notwithstanding any provision to the contrary in these Bye-Laws, the votes conferred by the Controlled Shares of such person are hereby reduced (and shall be automatically reduced in the future) by whatever amount is necessary so that after any such reduction such person shall not be a Ten Percent Shareholder. Notwithstanding the foregoing, the Board may waive the restrictions in its discretion and on a case by case basis.

Change in Control

Subject to the Companies Act and pursuant our Bye-Laws, in addition to the approval of the Board, any resolution proposed for consideration at any general meeting to approve the amalgamation or merger of the Company with any other company, wherever incorporated, shall require the approval of a simple majority of votes cast at such meeting. A poll may be demanded in respect of such resolution in accordance with the Bye-Laws. Under Bermuda law, in the event of an amalgamation or a merger of a Bermuda

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Company with another, a shareholder of the Bermuda company who has not voted in favor of the amalgamation or merger and is not satisfied that a fair value has been offered for such shareholder's shares, may apply to the Supreme Court of Bermuda, within one month's notice of the special general meeting, to appraise the fair value of the shares.

Changes in Capital

Subject to the Companies Act, Bye-Laws and Amended Memorandum of Association, the Company may from time to time by Resolution authorize the reduction of its issued Share Capital or any Share premium account in any manner.

C. Material Contracts

On October 20, 2016, the Company entered into a definitive agreement to acquire 100% of the outstanding ordinary shares of Aurigen. The acquisition was completed on April 3, 2017.

D. Exchange Controls

Securities may be offered or sold in Bermuda only in compliance with the provisions of the Bermuda Companies Act 1981, Investment Business Act 2003, and the Exchange Control Act 1972 and related regulations, each as amended, which regulate the sale of securities in Bermuda. In addition, specific permission is required from the BMA, pursuant to the provisions of the Exchange Change Control Act 1972 and related regulations (Exchange Control Act), for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA, in its policy dated June 1, 2005, provides that where any equity securities of a Bermuda company are listed on an appointed stock exchange (the NYSE is deemed to be an appointed stock exchange under Bermuda law), general permission is given for the issue and subsequent transfer of any equity securities of such company from and/or to a non-resident of Bermuda, for as long as any equity securities of the company remain so listed. Our common shares are not listed on the NYSE and accordingly the general permission will not apply to them. The BMA has, however, granted us permission for the issue, sale and transfer of up to 20% of any security as defined in the Exchange Control Act including (without limitation) the grant or creation of options, warrants, coupon, rights and depository receipts (collectively, Securities) to and among persons who are resident of Bermuda for exchange control purposes, whether or not the Securities are listed on an appointed stock exchange.

Under the Insurance Act, where neither the shares of the insurer nor the shares of its parent company are not traded on any stock exchange, no person shall become a 10%, 20%, 33% or 50% shareholder controller of the insurer unless (a) he has filed a notice in writing to the BMA that he intends to become a controller of the insurer and (b) the BMA has, not later than 45 days beginning on the date of service of that notice, notified him in writing that there is no objection to him becoming such a controller of the insurer or the 45 days have elapsed without the BMA having served written notice of objection. Likewise, any person who ceases to become a holder of at least 10%, 20%, 33% or 50% of our voting shares must notify the BMA in writing no later than 45 days of such disposal. As described herein, our Bye-Laws contain restrictions on the transfer of shares that generally would have the effect of prohibiting any shareholder, other than EXOR or any member of the Exor Group, from owning 10% or more of our common shares.

E. Taxation

The Company and PartnerRe Bermuda are not subject to income or profits tax, withholding tax, capital gains tax or capital transfer tax in Bermuda. See Business Overview—Taxation of the Company and its Subsidiaries in Item 4 for further details.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Documents that have been filed by the Company with the U.S. Securities and Exchange Commission (SEC) can be read or copied at the SEC's office of Investor Education and Advocacy located at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the public reference rooms and their copy charges by calling the SEC at 1-800-SEC-0330. Filings with the SEC are also available to the public from commercial document retrieval services, and from the website maintained by the SEC at http://www.sec.gov.

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I. Subsidiary Information
Not applicable.

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

Management believes that the Company is principally exposed to five types of market related risk: interest rate risk, credit spread risk, foreign currency risk, counterparty credit risk and equity price risk. How these risks relate to the Company, and the process used to manage them, is discussed below.

The Company's investment philosophy distinguishes between assets that are generally matched against the estimated net reinsurance liabilities (liability funds) and those assets that represent shareholder capital (capital funds). Liability funds are invested in a way that generally matches them to the corresponding liabilities in both duration and currency composition to provide a natural hedge against changes in interest rates and foreign exchange rates.

The Company's investment philosophy is to reduce foreign currency risk on capital funds by investing primarily in U.S. dollar denominated investments. In considering the market risk of capital funds, it is important to recognize the benefits of portfolio diversification. Although these asset classes in isolation may introduce more risk into the portfolio, market forces have a tendency to influence each class in different ways and at different times. Consequently, the aggregate risk introduced by a portfolio of these assets should be less than might be estimated by summing the individual risks.

Although the focus of this discussion is to identify risk exposures that impact the market value of assets alone, it is important to recognize that the risks discussed herein are significantly mitigated to the extent that the Company's investment strategy allows market forces to influence the economic valuation of assets and liabilities in a way that is generally offsetting.

As described above in this report, the Company's investment strategy allows the use of derivative investments, subject to strict limitations. The Company also imposes a high standard for the credit quality of counterparties in all derivative transactions and aims to diversify its counterparty credit risk exposure. See Note 6 to the Consolidated Financial Statements in Item 18 of this report for additional information related to derivatives.

The following addresses those areas where the Company believes it has exposure to material market risk in its operations.

Interest Rate Risk

The Company's fixed maturity portfolio and the fixed maturity securities in the investment portfolio underlying the funds held–directly managed account are exposed to interest rate risk. Fluctuations in interest rates have a direct impact on the market valuation of these securities. The Company manages interest rate risk on liability funds by constructing bond portfolios in which the economic impact of a general interest rate shift is comparable to the impact on the related liabilities. The Company believes that this process of matching the duration mitigates the overall interest rate risk on an economic basis. For Non-life business and the mortality line of the Life business, the estimated duration of the Company's liabilities is based on projected claims payout patterns. For policy benefits related to annuity business, the Company estimates duration based on its commitment to annuitants. The Company manages the exposure to interest rate volatility on capital funds by choosing a duration profile that it believes will optimize the risk-reward relationship. This matching of duration insulates the Company from the economic impact of interest rate changes. The Company's liabilities are carried at their nominal value, and are not adjusted for changes in interest rates, with the exception of certain policy benefits for life and annuity contracts and deposit liabilities that are interest rate sensitive. However, substantially all of the Company's invested assets (including the investments underlying the funds held–directly managed account) are carried at fair value, which reflects such changes. As a result, an increase in interest rates will result in a decrease in the fair value of the Company's investments (including the investments underlying the funds held–directly managed account) and a corresponding decrease, net of applicable taxes, in the Company's shareholders' equity. A decrease in interest rates would have the opposite effect.

At December 31, 2017, the Company held approximately $1,879 million of its total invested assets in mortgage/asset-backed securities. These assets are exposed to prepayment risk, the adverse impact of which is more evident in a declining interest rate environment.

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At December 31, 2017, the Company estimates that the hypothetical case of an immediate 100 basis points or 200 basis points parallel shift in global bond curves would result in a change in the fair value of investments exposed to interest rate risk, total invested assets and shareholders' equity attributable to PartnerRe Ltd. as follows (in millions of U.S. dollars):

	-200 Basis Points	% Change	-100 Basis Points	% Change	December 31, 2017	+100 Basis Points	% Change	+200 Basis Points	% Change
Fair value of investments exposed to interest rate risk (1)(2)	$ 15,531	10 %	$ 14,823	5 %	$ 14,115	$ 13,407	(5)%	$ 12,699	(10)%
Total invested assets (3)	$ 18,419	8 %	$ 17,701	4 %	$ 16,982	$ 16,264	(4)%	$ 15,545	(8)%
Shareholders' equity attributable to PartnerRe Ltd.	$ 8,182	21 %	$ 7,464	11 %	$ 6,745	$ 6,027	(11)%	$ 5,308	(21)%

(1) Includes certain other invested assets, certain cash and cash equivalents and funds holding fixed income securities.
(2) Excludes accrued interest.
(3) Includes total investments, cash and cash equivalents, the investment portfolio underlying the funds held–directly managed account and accrued interest.

The changes do not take into account any potential mitigating impact from the equity market, taxes or the corresponding change in the economic value of the Company's reinsurance liabilities, which would substantially offset the economic impact on invested assets, although the offset would not be reflected in the Consolidated Balance Sheet.

The Company strives to match the foreign currency exposure in its fixed income portfolio to its multi-currency liabilities. The Company believes that this matching process creates a diversification benefit. Consequently, the exact market value effect of a change in interest rates will depend on which countries experience interest rate changes and the foreign currency mix of the Company's fixed maturity portfolio at the time of the interest rate changes. See Foreign Currency Risk below.

The impact of an immediate change in interest rates on the fair value of investments and on investments within the funds held–directly managed account exposed to interest rate risk, the Company's total invested assets and shareholders' equity attributable to PartnerRe Ltd., in both absolute terms and as a percentage of total invested assets and shareholders' equity attributable to PartnerRe Ltd., has not changed significantly at December 31, 2017 compared to December 31, 2016.

Interest rate movements also affect the economic value of the Company's outstanding debt obligations and preferred securities in the same way that they affect the Company's fixed maturity investments. This can result in a liability whose economic value is different from the carrying value reported in the Consolidated Balance Sheet given the Company records the carrying value of its outstanding debt obligations and preferred securities at the original issued principal amount. For the Company's preferred shares, fair value is based on quoted market prices, while carrying value is based on the aggregate liquidation value of the shares. See Note 3(b) to the Consolidated Financial Statements in Item 18 of this report for further details regarding the fair value of debt.

See also Notes 10 and 11 to Consolidated Financial Statements in Item 18 of this report for further details regarding debt and preferred shares respectively as at December 31, 2017 and 2016 and related changes during the year.

Credit Spread Risk

The Company's fixed maturity portfolio and the fixed maturity securities in the investment portfolio underlying the funds held–directly managed account are exposed to credit spread risk. Fluctuations in market credit spreads have a direct impact on the market valuation of these securities. The Company manages credit spread risk by the selection of securities within its fixed maturity portfolio. Changes in credit spreads directly affect the market value of certain fixed maturity securities, but do not necessarily result in a change in the future expected cash flows associated with holding individual securities. Other factors, including liquidity, supply and demand, and changing risk preferences of investors, may affect market credit spreads without any change in the underlying credit quality of the security.

As with interest rates, changes in credit spreads impact the shareholders' equity of the Company as invested assets are carried at fair value, which includes changes in credit spreads. As a result, an increase in credit spreads will result in a

decrease in the fair value of the Company's investments (including the investment portfolio underlying the funds held–directly managed account) and a corresponding decrease, net of applicable taxes, in the Company's shareholders' equity. A decrease in credit spreads would have the opposite effect.

At December 31, 2017, the Company estimates that the hypothetical case of an immediate 100 basis points or 200 basis points parallel shift in global credit spreads would result in a change in the fair value of investments exposed to interest rate risk (as

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presented in the table above), total invested assets and shareholders' equity attributable to PartnerRe Ltd. as follows (in millions of U.S. dollars):

	-200 Basis Points	% Change	-100 Basis Points	% Change	December 31, 2017	+100 Basis Points	% Change	+200 Basis Points	% Change
Fair value of investments exposed to interest rate risk(1)(2)	$ 15,155	7 %	$ 14,635	4 %	$ 14,115	$ 13,595	(4)%	$ 13,075	(7)%
Total invested assets (3)	$ 18,023	6 %	$ 17,503	3 %	$ 16,982	$ 16,462	(3)%	$ 15,941	(6)%
Shareholders' equity attributable to PartnerRe Ltd.	$ 7,786	15 %	$ 7,266	8 %	$ 6,745	$ 6,225	(8)%	$ 5,704	(15)%

(1) Included within the fair value of investments exposed to interest rate risk is $10.1 billion of fair value of investments exposed to credit spreads risk. Includes certain other invested assets, certain cash and cash equivalents and funds holding fixed income securities.
(2) Excludes accrued interest.
(3) Includes total investments, cash and cash equivalents, the investment portfolio underlying the funds held–directly managed account and accrued interest.

The changes above also do not take into account any potential mitigating impact from the taxes and the change in the economic value of the Company's reinsurance liabilities, which may offset the economic impact on invested assets.
The impact of an immediate change in credit spreads on the overall fair value of investments and funds held–directly managed account exposed to credit spread risk, the Company's total invested assets and shareholders' equity attributable to PartnerRe Ltd., as a percentage of total invested assets and shareholders' equity attributable to PartnerRe Ltd. has not changed significantly at December 31, 2017 compared to December 31, 2016.

Foreign Currency Risk

Through its multinational reinsurance operations, the Company conducts business in a variety of non-U.S. currencies, with the principal exposures being the Euro, Canadian dollar, Swiss Franc, British pound and Australian dollar. As the Company's reporting currency is the U.S. dollar, foreign exchange rate fluctuations may materially impact the Company's Consolidated Financial Statements.
The Company is generally able to match its liability funds against its net reinsurance liabilities both by currency and duration to protect the Company against foreign exchange and interest rate risks. However, a natural offset does not exist for all currencies. For the non-U.S. dollar currencies for which the Company deems the net asset or liability exposures to be material, the Company employs a hedging strategy utilizing foreign exchange forward contracts and other derivative financial instruments, as appropriate, to reduce exposure and more appropriately match the liability funds by currency. The Company does not hedge currencies for which its asset or liability exposures are not material or where it is unable or impractical to do so. In such cases, the Company is exposed to foreign currency risk. However, the Company does not believe that the foreign currency risks corresponding to these unhedged positions are material, except for those related to the Company's capital funds.
For the Company's capital funds, including its net investment in foreign subsidiaries and branches and equity securities, the Company does not typically employ hedging strategies. However, from time to time the Company does enter into net investment hedges to offset foreign exchange volatility (see Liquidity and Capital Resources—Currency in Item 5 of this report). Derivatives are included in other invested assets in the Consolidated Balance Sheet (see Note 6 to the Consolidated Financial Statements in Item 18 of this report for further details).
The Company's gross and net exposure in its Consolidated Balance Sheet at December 31, 2017 to foreign currency as well as the associated foreign currency derivatives the Company has entered into to manage this exposure, was as follows (in millions of U.S. dollars):

	Euro	CAD	CHF	GBP	JPY	Other	Total (1)
Total assets	$2,319	$1,415	$20	$1,509	$32	$976	$6,271
Total liabilities	(4,150)	(507)	(336)	(1,531)	(89)	(1,507)	(8,120)
Total gross foreign currency exposure	(1,831)	908	(316)	(22)	(57)	(531)	(1,849)

Total derivative amount	1,839	(912)	—	67	—	78	1,072
Net foreign currency exposure	$8	$(4)	$(316)	$45	$(57)	$(453)	$(777)

(1) As the U.S. dollar is the Company's reporting currency, there is no currency risk attached to the U.S. dollar and it is excluded from this table. The U.S. dollar accounted for the difference between the Company's total foreign currency exposure in this table and the total assets and total liabilities in the Company's Consolidated Balance Sheet at December 31, 2017.

The above numbers include the Company's investment in certain of its subsidiaries and branches, whose functional currencies are the Euro or Canadian dollar, and the foreign exchange forward contracts that the Company entered into during the year to hedge a portion of its translation exposure in light of the significant volatility in foreign exchange markets.

At December 31, 2017, the Company's most significant net foreign currency exposure presented in the table above reflect the unhedged net investment in its Swiss branch.

At December 31, 2017, assuming all other variables remain constant and disregarding any tax effects, a change in the U.S. dollar of 10% or 20% relative to all of the other currencies held by the Company simultaneously would result in a change in the Company's net foreign currency exposure of $78 million and $155 million, respectively, inclusive of the effect of foreign exchange forward contracts and other derivative financial instruments.

Counterparty Credit Risk

Investments and Cash

The Company has exposure to credit risk primarily as a holder of fixed maturity securities. The Company controls this exposure by emphasizing investment grade credit quality in the fixed maturity securities it purchases. At December 31, 2017, approximately 52% of the Company's fixed maturity portfolio (including the funds held–directly managed account and funds holding fixed maturity securities) was rated AA (or equivalent rating) or better.

At December 31, 2017, approximately 71% of the Company's fixed maturity and short-term investments (including funds holding fixed maturity securities and excluding the funds held–directly managed account) were rated A- or better and 3% were rated below investment grade or not rated. The Company believes this high quality concentration reduces its exposure to credit risk on fixed maturity investments to an acceptable level. At December 31, 2017, the Company was not exposed to any significant credit concentration risk on its investments, excluding securities issued by the U.S. government which are rated AA+. The single largest corporate issuer and the top 10 corporate issuers accounted for less than 3% and less than 19% of the Company's total corporate fixed maturity securities (excluding the funds held–directly managed account), respectively, at December 31, 2017.

The Company keeps cash and cash equivalents in several banks and ensures that there are no significant concentrations of credit risk in any one bank.

Funds held–directly managed account

The funds held–directly managed account due to the Company is related to one cedant, Colisée Re. The Company is subject to the credit risk of this cedant in the event of insolvency or Colisée Re's failure to honor the value of the funds held balances for any other reason. However, the Company's credit risk is somewhat mitigated by the fact that the Company generally has the right to offset any shortfall in the payment of the funds held balances with amounts owed by the Company to the cedant for losses payable and other amounts contractually due. See also Risk Factors in Item 3 of this report for additional discussion of the Company's exposure if Colisée Re, or its affiliates, breach or do not satisfy their obligations. In addition to exposure to Colisée Re, the Company is also subject to the credit risk of AXA or its affiliates in the event of their insolvency or their failure to honor their obligations under the acquisition agreements. See Note 5 to the Consolidated Financial Statements in Item 18 of this report for further details regarding the funds held–directly managed account.

Derivatives

To a lesser extent, the Company also has credit risk exposure as a party to foreign exchange forward contracts and other derivative contracts. The Company's investment strategy allows the use of derivative investments, subject to strict limitations. The Company imposes a high standard for the credit quality of counterparties in all derivative transactions. To mitigate credit risk, the Company monitors its exposure by counterparty, aims to diversify its counterparty credit risk and ensures that counterparties to these contracts are high credit quality international banks or

counterparties. These contracts are generally of short duration (approximately 90 days) and settle on a net basis, which means that the Company is exposed to the movement of one currency against the other, as opposed to the notional amount of the contracts. At December 31, 2017, the Company's net notional exposure of foreign exchange forward contracts was $2,863 million, while the net fair value of those contracts was a liability position of $12

million. See Note 6 to the Consolidated Financial Statements in Item 18 of this report for additional information related to derivatives.

Underwriting Operations

The Company is also exposed to credit risk in its underwriting operations, most notably in the credit/surety line. Loss experience in these lines of business is cyclical and is affected by the general economic environment. The Company provides its clients in these lines of business with protection against credit deterioration, defaults or other types of financial non-performance of or by the underlying credits that are the subject of the protection provided and, accordingly, the Company is exposed to the credit risk of those credits. As with all of the Company's business, these risks are subject to rigorous underwriting and pricing standards. In addition, the Company strives to mitigate the risks associated with these credit-sensitive lines of business through the use of risk management techniques such as risk diversification, careful monitoring of risk aggregations and accumulations and, at times, through the use of retrocessional reinsurance protection and the purchase of credit default swaps and total return and interest rate swaps.

The Company is subject to the credit risk of its cedants in the event of their insolvency or their failure to honor the value of the funds held balances due to the Company for any other reason. However, the Company's credit risk in some jurisdictions is mitigated by a mandatory right of offset of amounts payable by the Company to a cedant against amounts due to the Company. In certain other jurisdictions the Company is able to mitigate this risk, depending on the nature of the funds held arrangements, to the extent that the Company has the contractual ability to offset any shortfall in the payment of the funds held balances with amounts owed by the Company to cedants for losses payable and other amounts contractually due. Funds held balances for which the Company receives an investment return based upon either the results of a pool of assets held by the cedant or the investment return earned by the cedant on its investment portfolio are exposed to an additional layer of credit risk. The Company is also exposed, to some extent, to the underlying financial market risk of the pool of assets, inasmuch as the underlying policies may have guaranteed minimum returns.

The Company has exposure to credit risk as it relates to its business written through brokers if any of the Company's brokers are unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company might remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms. See Risk Factors in Item 3 and Business Overview in Item 4 of this report for information related to two brokers that accounted for approximately 47% of the Company's gross premiums written for the year ended December 31, 2017.

The Company has exposure to credit risk as it relates to its reinsurance balances receivable and reinsurance recoverable on paid and unpaid losses.

Reinsurance balances receivable from the Company's cedants at December 31, 2017 were $2,725 million, including balances both currently due and accrued. The Company believes that credit risk related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process and monitoring of aged receivable balances. In addition, as the majority of its reinsurance agreements permit the Company the right to offset reinsurance balances receivable from clients against losses payable to them, the Company believes that the credit risk in this area is substantially reduced. Provisions are made for amounts considered potentially uncollectible and the allowance for uncollectible premiums receivable was $5 million at December 31, 2017.

The Company purchases retrocessional reinsurance and requires its reinsurers to have adequate financial strength. The Company evaluates the financial condition of its reinsurers and monitors its concentration of credit risk on an ongoing basis. Provisions are made for amounts considered potentially uncollectible. At December 31, 2017, the balance of reinsurance recoverable on paid and unpaid non-life and life reserves was $729 million, which is net of the allowance provided for uncollectible reinsurance recoverables of $0 million. At December 31, 2017, 37% of the Company's reinsurance recoverable on paid and unpaid non-life and life reserves were either due from reinsurers with an A- or better rating from Standard & Poor's, and the remaining 63% was collateralized. See Liquidity and Capital Resources—Reinsurance Recoverable on Paid and Unpaid Losses in Item 5 of this report for details of the Company's reinsurance recoverable on paid and unpaid losses categorized by the reinsurer's Standard & Poor's rating.

Other than the items discussed above, the concentrations of the Company's counterparty credit risk exposures have not changed materially at December 31, 2017 compared to December 31, 2016.

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Equity Price Risk

The Company invests a portion of its capital funds in equity securities (fair market value of $632 million, excluding funds holding fixed income securities of $7 million) at December 31, 2017. These equity investments are exposed to equity price risk, defined as the potential for loss in market value due to a decline in equity prices. The Company believes that the effects of diversification and the relatively small size of its investments in equities relative to total invested assets mitigate its exposure to equity price risk. The Company estimates that its equity investment portfolio has a beta versus the S&P 500 Index of approximately 0.61 on average. Portfolio beta measures the response of a portfolio's performance relative to a market return, where a beta of 1 would be an equivalent return to the index. Given the estimated beta for the Company's equity portfolio, a 10% and 20% movement in the S&P 500 Index would result in a change in the fair value of the Company's equity portfolio, total invested assets and shareholders' equity attributable to PartnerRe Ltd. at December 31, 2015 by $38 million and $77 million, respectively. This change does not take into account any potential mitigating impact from the fixed maturity securities or taxes.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDENDS ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

In accordance with the terms of the Merger Agreement, upon effecting the Merger, EXOR S.p.A. paid cash of $1.25 per share for an aggregate payment of approximately $43 million to the preferred shareholders and agreed to launch an exchange offer. On April 1, 2016, the Company launched the exchange offer whereby participating preferred shareholders could exchange any or all existing preferred shares for newly issued preferred shares reflecting, subject to certain exceptions contained in the existing preferred shares, an extended call date of the fifth anniversary from the date of issuance and a restriction on payment of dividends on common shares declared with respect to any fiscal quarter to an amount not exceeding 67% of net income during such fiscal quarter until December 31, 2020. The terms of the newly issued preferred shares would otherwise remain identical in all material respects to the Company's existing preferred shares, as described below. The exchange offer expired on April 29, 2016 and on May 1, 2016, 6,415,264 Series D, 11,753,798 Series E and 7,320,574 Series F preferred shares were exchanged for an equivalent number of Series G, Series H and Series I preferred shares, respectively. There was no consideration paid and no increase in fair value of the preferred shares as a result of the exchange and, as a result, the exchange was considered a modification of the preferred shares with no gain or loss or deemed dividend arising as a result of the exchange. As a result of the exchange offer, the Company cancelled the Series D, E and F preferred shares tendered in the exchange offer. Non-tendered preferred shares not exchanged and the new Series G, H and I preferred shares remain outstanding and will continue to trade on the NYSE until redeemed.

On November 1, 2016, the Company redeemed the Series D and E preferred shares at $25 per share for an aggregate liquidation value of $150 million. In addition, unpaid preferred dividends accrued to the redemption date totaling $2 million were paid. In connection with the redemption, the Company recognized a loss of $5 million related to the deferred issuance costs paid upon issuance which were included in additional paid-in capital related to the Series D and E preferred shares. There was no additional gain or loss on redemption to recognize as the redemption price and the initial consideration received on the issue of preferred shares were both $25 per share. The loss of $5 million was recognized as a deemed preferred dividend in retained earnings and in determining the net income attributable to the PartnerRe Ltd. common shareholder.

The redemption price of all preferred shares is $25 per share plus accrued and unpaid dividends without interest at any time or in part from time to time on or after the fifth anniversary from the date of issuance.

The Company may redeem the Series F preferred shares at any time or in part from time to time on or after March 1, 2018. The Company may also redeem the Series F preferred shares at any time upon the occurrence of a certain "capital disqualification event" or certain changes in tax law.

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The Company may redeem each of the Series G, H and I preferred shares on or after May 1, 2021.
Dividends on the Series F and I preferred shares are non-cumulative and are payable quarterly. Dividends on the Series G and H preferred shares are cumulative from the date of issuance and are payable quarterly in arrears.
In the event of liquidation of the Company, Series F, G, H and I preferred shares rank on parity with each other but rank senior to the common shares. The holders of the Series F, G, H and I preferred shares would receive a distribution of $25 per share, or the aggregate liquidation value. In addition, upon liquidation, non-cumulative Series F and I preferred shares would receive any declared but unpaid dividends while the cumulative Series G and H preferred shares would receive any accrued but unpaid dividends.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of management, including the CEO and CFO, as of December 31, 2017, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the CEO and CFO concluded that, as of December 31, 2017, the disclosure controls and procedures are effective such that information required to be disclosed by the Company in reports that it files or submits pursuant to the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013).

Based on our assessment and those criteria management believes that the Company maintained effective internal control over financial reporting as of December 31, 2017.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board has determined that Mr. Patrick Thiele is an independent director and audit committee financial expert in accordance with the NYSE listing rules.

ITEM 16B. CODE OF ETHICS

The Board of PartnerRe has adopted the Code of Business Conduct and Ethics, which applies to all directors, officers and employees. Any specific waiver of its provisions requires the approval of the Audit Committee. Any waiver required to be publicly disclosed will be posted on our website at www.partnerre.com within four business days of such waiver being granted. There were no disclosable waivers of or amendments to the Code of Business Conduct and Ethics in fiscal 2017. Any violation to the Code of Business Conduct and Ethics will be investigated and may result in disciplinary action, as appropriate.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Upon acquisition of the Company's common shares by Exor N.V. (subsequently renamed EXOR Nederland N.V.) and in order for PartnerRe to have the same independent auditors as its new ultimate parent, EXOR S.p.A., on March 24, 2016, PartnerRe engaged Ernst & Young Ltd. as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016, and dismissed Deloitte Ltd. See Change in Registrant's Certifying Accountant in Item 16F below for further details regarding the change in the certifying accountant.

The Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the work of the Company's independent registered public accounting firm. The Audit Committee also pre-approves the audit services and non-audit services to be provided, including the fees for such services, before the public accounting firm is engaged to render such services. The Audit Committee may delegate the authority to grant such approval to one or more designated members of the Audit Committee, provided that the decisions of any member to whom authority is delegated shall be presented to the full Audit Committee at its next meeting. The Audit Committee has sole authority to approve all audit fees and terms. All services of Ernst & Young Ltd. and their respective affiliates (collectively, EY), and previously Deloitte Ltd. and their respective affiliates (collectively, Deloitte), were pre-approved by the Audit Committee.

During 2017, the Audit Committee had two meetings and eight informational calls to discuss the Company's quarterly results as well as receive update on legal, internal and external auditor, and other matters as deemed necessary. The meetings and informational calls were conducted to encourage communication among the members of the Audit Committee, management, the internal auditors and EY. The Audit Committee also discussed with EY the overall scope and plans for EY's audits and the results of such audits. The Audit Committee met with representatives from EY, both with and without management present.

The following table presents fees for professional services rendered by the independent auditors for the years ended December 31, 2017 and 2016 (in U.S. dollars):

	2017	2016
Audit Fees[(1)]	$4,949,268	$5,296,000
Audit-Related Fees[(2)]	82,095	257,000
Tax Fees[(3)]	507,000	654,576
All Other Fees[(4)]	—	109,361
Total	$5,538,363	$6,316,937

(1) For the years ended December 31, 2017 and 2016, audit fees relate to professional services rendered by EY for the audit of the Company's annual financial statements included in this annual report on Form 20-F and other audit services provided in connection with statutory and regulatory filings. For the year ended December 31, 2016, audit fees also relate to professional services rendered by EY for the review of the financial statements included in the quarterly report on Form 10-Q for the quarterly period ended March 31, 2016. Subsequently, the Company was determined to be a Foreign Private Issuer and, as a result, exempt from quarterly Form 10-Q filings.

(2) Audit-related fees are fees for services performed that are reasonably related to the performance of the audit or review of the Company’s financial statements but are not described in (1) above. For the year ended December 31, 2017, audit-related fees are for services performed by EY related to employee benefit plan audits of $72,095 and agreed upon procedures related to one of the Company's regulated branches for $10,000. For the year ended December 31, 2016, these fees include: i) fees

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of $98,000 for services performed by EY to issue a comfort letter related to the Company's Euro debt offering and an employee benefit plan audit and ii) fees of $159,000 paid to Deloitte Entities related to the reissuance of their consent for the preferred share exchange offer and issue of a comfort letter related to the Company's Euro debt offering.

(3) Tax fees relate to services performed by EY for annual U.S. tax preparation, compliance and filing assistance and certain on-going projects (including on-call advisory).

(4) All other fees relate to services provided by EY other than the services reported in (1), (2), and (3) above. The fees for 2016 represented due diligence assistance related to the Aurigen acquisition and specific procedures in relation to a pro-forma filing related to the re-domicile of the parent company from Italy to the Netherlands.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

There have been no change in certifying accounting during the year ended December 31, 2017. See Item 16C. for details of change in certifying accountant in 2016 previously disclosed.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to exemptions available under the NYSE listing standards, as PartnerRe is a foreign private issuer and a controlled company with no common shares listed, we are not required to comply with all of the corporate governance practices followed by U.S. domestic filer companies under the NYSE listing standards, which are available at www.nyse.com. Pursuant to Section 303.A.11 of the NYSE Listed Company Manual, we are required to list the significant differences between our corporate governance practices and the NYSE standards applicable to listed U.S. companies that are domestic filers. Set forth below is a list of those significant differences:

- Nominating/Corporate Governance Committee: The NYSE requires that listed companies must have a nominating/corporate governance committee composed entirely of independent directors and a committee charter detailing the committee's purpose and responsibilities and an annual performance evaluation of the committee. Under Bermuda law and our Bye-Laws, we are not required to have, and do not have, a nominating or corporate governance committee.
- Compensation Committee: The NYSE requires that listed companies must have a compensation committee composed entirely of independent directors and a committee charter detailing the committee's purpose and responsibilities, an annual performance evaluation of the committee and the rights and responsibilities of the committee with respect to retaining or obtaining advice from an independent adviser. Under Bermuda law and our Bye-Laws, we are not required to have, and do not have, a compensation committee.
- Majority of Independent Directors: The NYSE requires that certain listed companies (domestic filers) must have a board of directors of at least a majority of independent directors. Under Bermuda law and our Bye-Laws, we are not required to have, and do not have, a majority of independent directors.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18 of this report.

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ITEM 18. FINANCIAL STATEMENTS

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PartnerRe Ltd.
Consolidated Balance Sheets
(Expressed in thousands of U.S. dollars, except parenthetical share data)

	December 31, 2017	December 31, 2016
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost: 2017, $12,480,569; 2016, $13,386,557)	$12,654,859	$13,432,501
Short-term investments, at fair value (amortized cost: 2017, $4,394; 2016, $21,697)	4,400	21,697
Equities, at fair value (cost: 2017, $567,848; 2016, $28,376)	638,596	38,626
Investments in real estate	83,098	—
Other invested assets	1,385,258	1,075,637
Total investments	14,766,211	14,568,461
Funds held–directly managed (cost: 2017, $429,326; 2016, $510,057)	424,765	511,324
Cash and cash equivalents	1,772,012	1,773,328
Accrued investment income	120,805	112,580
Reinsurance balances receivable	2,724,844	2,492,069
Reinsurance recoverable on paid and unpaid losses	828,807	331,704
Funds held by reinsured companies	801,451	685,069
Deferred acquisition costs	672,307	597,239
Deposit assets	78,542	74,273
Net tax assets	133,169	194,170
Goodwill	456,380	456,380
Intangible assets	160,234	107,092
Other assets	41,237	35,105
Total assets	$22,980,764	$21,938,794
Liabilities		
Non-life reserves	$9,710,457	$8,985,434
Life and health reserves	2,490,474	1,984,096
Unearned premiums	1,818,999	1,623,796
Other reinsurance balances payable	292,077	281,973
Deposit liabilities	10,864	15,026
Net tax liabilities	154,947	166,113
Accounts payable, accrued expenses and other	302,021	849,572
Debt related to senior notes	1,384,824	1,273,883
Debt related to capital efficient notes	70,989	70,989
Total liabilities	16,235,652	15,250,882
Shareholders’ Equity		
Common shares (par value $0.00000001; issued: 100,000,000 shares)	—	—
Preferred shares (par value $1.00; issued and outstanding: 28,169,062 shares; aggregate liquidation value: $704,227)	28,169	28,169
Additional paid-in capital	2,396,530	2,396,530
Accumulated other comprehensive loss	(90,281)	(74,569)
Retained earnings	4,410,694	4,337,782
Total shareholders’ equity	6,745,112	6,687,912
Total liabilities and shareholders’ equity	$22,980,764	$21,938,794

See accompanying Notes to Consolidated Financial Statements.

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PartnerRe Ltd.
Consolidated Statements of Operations and Comprehensive Income
(Expressed in thousands of U.S. dollars)

	For the year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Revenues			
Gross premiums written	$5,587,894	$5,356,942	$5,547,525
Net premiums written	$5,119,926	$4,953,470	$5,229,548
(Increase) decrease in unearned premiums	(94,945)	16,126	39,630
Net premiums earned	5,024,981	4,969,596	5,269,178
Net investment income	402,071	410,864	449,784
Net realized and unrealized investment gains (losses)	232,491	26,266	(297,479)
Other income	15,242	15,232	9,144
Total revenues	5,674,785	5,421,958	5,430,627
Expenses			
Losses and loss expenses	3,840,982	3,248,091	3,157,420
Acquisition costs	1,119,773	1,186,602	1,217,003
Other expenses	348,398	471,905	790,723
Interest expense	42,500	48,603	48,988
Loss on redemption of debt	1,566	22,203	—
Amortization of intangible assets	24,646	25,919	26,593
Net foreign exchange losses (gains)	108,244	(77,515)	9,461
Total expenses	5,486,109	4,925,808	5,250,188
Income before taxes and interest in earnings (losses) of equity method investments	188,676	496,150	180,439
Income tax expense	10,358	25,923	79,664
Interest in earnings (losses) of equity method investments	85,703	(22,919)	6,375
Net income	264,021	447,308	107,150
Net income attributable to noncontrolling interests	—	—	(2,769)
Net income attributable to PartnerRe Ltd.	264,021	447,308	104,381
Preferred dividends	46,416	55,043	56,735
Loss on redemption of preferred shares	—	4,908	—
Net income attributable to PartnerRe Ltd. common shareholders	$217,605	$387,357	$47,646
Comprehensive income			
Net income attributable to PartnerRe Ltd.	$264,021	$447,308	$104,381
Change in currency translation adjustment	(15,135)	12,202	(46,055)
Change in unfunded pension obligation, net of tax	(274)	(1,909)	(2,285)
Change in unrealized gains or losses on investments, net of tax	(303)	(1,579)	(860)
Total other comprehensive (loss) income, net of tax	(15,712)	8,714	(49,200)
Comprehensive income attributable to PartnerRe Ltd.	$248,309	$456,022	$55,181

On March 18, 2016, Exor N.V. acquired 100% of the Company’s common shares; as such, earnings per share data is no longer considered meaningful and has been excluded.

See accompanying Notes to Consolidated Financial Statements.

PartnerRe Ltd.
Consolidated Statements of Shareholders' Equity
(Expressed in thousands of U.S. dollars)

	For the year ended December 31, 2017	December 31, 2016	December 31, 2015
Common shares			
Balance at beginning of year	$ —	$ 87,237	$ 87,237
Cancellation of treasury shares	—	(39,082)	—
Cancellation of outstanding common shares	—	(48,155)	—
Balance at end of year	—	—	87,237
Preferred shares			
Balance at beginning of year	28,169	34,150	34,150
Redemption of preferred shares	—	(5,981)	—
Balance at end of year	28,169	28,169	34,150
Additional paid-in capital			
Balance at beginning of year	2,396,530	3,982,147	3,949,665
Stock compensation expense, net of taxes paid	—	48,731	32,482
Reissuance of common shares	—	(2,193)	—
Cancellation of treasury shares	—	(1,466,363)	—
Cancellation of outstanding common shares	—	48,155	—
Settlement of stock options and SSARs	—	(75,311)	—
Redemption of preferred shares	—	(138,636)	—
Balance at end of year	2,396,530	2,396,530	3,982,147
Accumulated other comprehensive loss			
Balance at beginning of year	(74,569)	(83,283)	(34,083)
Currency translation adjustment			

Balance at beginning of year	(41,768)	(53,970)	(7,915)
Change in foreign currency translation adjustment	(15,135)	6,175	(36,750)
Change in designated net investment hedge	—	6,027	(9,305)
Balance at end of year	(56,903)	(41,768)	(53,970)
Unfunded pension obligation			
Balance at beginning of year	(33,770)	(31,861)	(29,576)
Change in unfunded pension obligation, net of tax	(274)	(1,909)	(2,285)
Balance at end of year (net of tax: 2017, $9,744; 2016, $9,512; 2015, $8,804)	(34,044)	(33,770)	(31,861)
Unrealized gain on investments			
Balance at beginning of year	969	2,548	3,408
Change in unrealized losses on investments, net of tax	(303)	(1,579)	(860)
Balance at end of year (net of tax: 2017, 2016 and 2015: $nil)	666	969	2,548
Balance at end of year	(90,281)	(74,569)	(83,283)
Retained earnings			
Balance at beginning of year	4,337,782	6,146,802	6,270,811
Net income	264,021	447,308	107,150
Net income attributable to noncontrolling interests	—	—	(2,769)
Reissuance of common shares	—	(17,229)	(38,051)
Cancellation of treasury shares	—	(1,742,718)	—
Dividends on common shares	(144,693)	(436,430)	(133,604)
	(46,416)	(55,043)	(56,735)

Dividends on preferred shares			
Loss on redemption of preferred shares	—	(4,908)	—
Balance at end of year	4,410,694	4,337,782	6,146,802

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PartnerRe Ltd.
Consolidated Statements of Shareholders' Equity
(Expressed in thousands of U.S. dollars)

	For the year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Common shares held in treasury			
Balance at beginning of year	—	(3,266,552)	(3,258,870)
Repurchase of common shares	—	—	(59,266)
Reissuance of common shares	—	18,390	51,584
Cancellation of treasury shares	—	3,248,162	—
Balance at end of year	—	—	(3,266,552)
Total shareholders' equity attributable to PartnerRe Ltd.	$6,745,112	$6,687,912	$6,900,501
Noncontrolling interests	—	—	2,450
Total shareholders' equity	$6,745,112	$6,687,912	$6,902,951

See accompanying Notes to Consolidated Financial Statements.

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PartnerRe Ltd.
Consolidated Statements of Cash Flows
(Expressed in thousands of U.S. dollars)

	For the year ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Cash flows from operating activities			
Net income	$264,021	$447,308	$107,150
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of net premium on investments	69,080	96,402	93,754
Amortization of intangible assets	24,646	25,919	26,593
Net realized and unrealized investment (gains) losses	(232,491)	(26,266)	297,479
Changes in:			
Reinsurance balances, net	(84,767)	(95,737)	(122,866)
Reinsurance recoverable on paid and unpaid losses, net of ceded premiums payable	(481,173)	(46,235)	55,172
Funds held by reinsured companies and funds held–directly managed	47,383	(59,069)	131,713
Deferred acquisition costs	(34,822)	2,000	(5,784)
Net tax assets and liabilities	42,337	(135,153)	(105,635)
Non-life and life and health reserves	571,907	214,071	(118,976)
Unearned premiums	94,945	(16,126)	(39,630)
Other net changes in operating assets and liabilities	(38,190)	38,195	(158)
Net cash provided by operating activities	242,876	445,309	318,812
Cash flows from investing activities			
Sales of fixed maturities	12,524,296	12,404,085	7,796,537
Redemptions of fixed maturities	572,638	595,381	743,743
Purchases of fixed maturities	(12,465,127)	(12,704,275)	(8,608,288)
Sales and redemptions of short-term investments	169,555	148,665	178,166
Purchases of short-term investments	(143,859)	(124,079)	(200,533)
Sales of equities	16,232	402,481	1,184,380
Purchases of equities	(275,928)	(7,119)	(647,533)
Consideration paid to acquire Aurigen, net of cash acquired	(233,233)	—	—
Other, net	(65,753)	(749,194)	(151,198)
Net cash provided by (used in) investing activities	98,821	(34,055)	295,274
Cash flows from financing activities			
Dividends paid to common and preferred shareholders	(191,109)	(491,473)	(190,339)
Settlement of share-based awards upon change in control	—	(75,531)	—
Issuance of Class B common shares[(1)]	11,000	—	—
Repurchase of common shares	—	—	(71,376)
Reissuance of treasury shares, net of taxes	—	10,965	7,996
Redemption of preferred shares	—	(149,523)	—
Issuance of senior notes	—	824,002	—
Redemption of debt	(207,130)	(271,961)	—
Distributions to noncontrolling interests	—	—	(55,820)
Net cash used in financing activities	(387,239)	(153,521)	(309,539)
Effect of foreign exchange rate changes on cash	44,226	(61,502)	(40,918)
(Decrease) increase in cash and cash equivalents	(1,316)	196,231	263,629
Cash and cash equivalents—beginning of year	1,773,328	1,577,097	1,313,468

Cash and cash equivalents—end of year	$1,772,012	$1,773,328	$1,577,097
Supplemental cash flow information:			
Taxes paid	$66,228	$188,650	$220,336
Interest paid	$40,989	$46,417	$49,259

(1) Class B shares are recorded as a liability on the Company's Consolidated Balance Sheet. See Note 15 for further details.

See accompanying Notes to Consolidated Financial Statements.

PartnerRe Ltd.
Notes to Consolidated Financial Statements

1. Organization

PartnerRe Ltd. provides reinsurance on a worldwide basis through its principal wholly-owned subsidiaries, including Partner Reinsurance Company Ltd. (PartnerRe Bermuda), Partner Reinsurance Europe SE (PartnerRe Europe), Partner Reinsurance Company of the U.S. (PartnerRe U.S.) and Partner Reinsurance Asia Pte. Ltd. (PartnerRe Asia). Non-life risks reinsured include agriculture, aviation/space, casualty, catastrophe, energy, engineering, financial risks, marine, motor, multiline, and property. Life and health risks include mortality, longevity, and accident and health. Reinsurance of alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis.

PartnerRe Ltd. and it subsidiaries are collectively referred to hereinafter as PartnerRe or the Company.

The Company was incorporated in August 1993 under the laws of Bermuda. The Company commenced operations in November 1993 upon completion of the sale of common shares and warrants pursuant to subscription agreements and an initial public offering.

The Company completed the acquisition of Societe Anonyme Francaise de Reassurances (SAFR, subsequently renamed PartnerRe SA and reinsurance business transferred into PartnerRe Europe) in 1997, the acquisition of Winterthur Re in 1998, the acquisition of PARIS RE Holdings Limited (Paris Re) in 2009 and the acquisition of Presidio Reinsurance Group, Inc. (Presidio) in 2012.

On March 18, 2016, following receipt of regulatory approvals, the Company's publicly held common shares were acquired by Exor N.V., a subsidiary of EXOR S.p.A., one of Europe's leading investment companies controlled by the Agnelli family. In October 2016, Exor N.V. changed its name to EXOR Nederland N.V. In December 2016, EXOR S.p.A. merged with and into EXOR HOLDING N.V., a newly formed entity organized in the Netherlands and, in conjunction with the merger, EXOR HOLDING N.V. changed its name to EXOR N.V. EXOR N.V. is listed on the Milan Stock Exchange.

As a result of the acquisition, PartnerRe's publicly issued common shares were cancelled and are no longer traded on the NYSE. The Company's preferred shares continue to be traded on the NYSE.

The Company's common shares (Class A) included in Shareholders' Equity on the Consolidated Balance Sheets as of December 31, 2017 and 2016 are owned by EXOR Nederland N.V. (see Note 11).

On April 3, 2017, after receiving regulatory approvals, the Company completed the acquisition of 100% of the outstanding ordinary shares of Aurigen Capital Limited (Aurigen), a North American life reinsurance company. This acquisition enables the Company to expand its life reinsurance footprint in Canada and the U.S. with limited overlap in market coverage (see Note 7).

2. Significant Accounting Policies

The Company's Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated.

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 Consolidated Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company's principal estimates include:

- Non-life reserves;
- Life and health reserves;
- Gross and net premiums written and net premiums earned;
- Recoverability of deferred acquisition costs;
- Recoverability of deferred tax assets;
- Valuation of certain investments that are measured using significant unobservable inputs; and
- Valuation of goodwill and intangible assets.

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The following are the Company's significant accounting policies:

(a) Premiums

Gross premiums written and earned are based upon reports received from ceding companies, supplemented by the Company's own estimates of premiums written and earned for which ceding company reports have not been received. The determination of premium estimates requires a review of the Company's experience with cedants, familiarity with each market, an understanding of the characteristics of each line of business and management's assessment of the impact of various other factors on the volume of business written and ceded to the Company. Premium estimates are updated as new information is received from cedants and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined. Net premiums written and earned are presented net of ceded premiums, which represent the cost of retrocessional protection purchased by the Company. Premiums are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which is generally one to two years. For U.S. and European wind and certain other risks, premiums are earned commensurate with the seasonality of the underlying exposure. Reinstatement premiums are recognized as written and earned at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on management's estimate of losses and loss expenses associated with the loss event. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force.

Premiums related to individual life and annuity business are recorded over the premium-paying period on the underlying policies. Premiums on annuity and universal life contracts for which there is no significant mortality or critical illness risk are accounted for in a manner consistent with accounting for interest-bearing financial instruments and are not reported as revenues, but rather as direct deposits to the contract. Amounts assessed against annuity and universal life policyholders are recognized as revenue in the period assessed.

(b) Losses and Loss Expenses

The reserves for non-life business include amounts determined from loss reports on individual treaties (case reserves), additional case reserves when the Company's loss estimate is higher than reported by the cedants (ACRs) and amounts for losses incurred but not yet reported to the Company (IBNR). Such reserves are estimated by management based upon reports received from ceding companies, supplemented by the Company's own actuarial estimates of reserves for which ceding company reports have not been received, and based on the Company's own historical experience. To the extent that the Company's own historical experience is inadequate for estimating reserves, such estimates may be determined based upon industry experience and management's judgment. The estimates are continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided. Any adjustments are reflected in the periods in which they are determined, which may affect the Company's operating results in future periods.

The life and health reserves have been established based upon information reported by ceding companies, supplemented by the Company's actuarial estimates, which for life include mortality, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty. Future policy benefit reserves for annuity and universal life contracts are carried at their accumulated values. Reserves for policy claims and benefits include both mortality and critical illness claims in the process of settlement, and claims that have been incurred but not yet reported.

The Company purchases retrocessional contracts to reduce its exposure to risk of losses on reinsurance assumed. Reinsurance recoverable on paid and unpaid losses involves actuarial estimates consistent with those used to establish the associated liabilities for non-life and life and health reserves.

(c) Deferred Acquisition Costs

Acquisition costs, comprising incremental brokerage fees, commissions and excise taxes, which vary directly with, and are related to, the acquisition of reinsurance contracts, are capitalized and charged to expense as the related premium is earned. All other acquisition related costs, including indirect costs, are expensed as incurred.

Acquisition costs related to individual life and annuity contracts are deferred and amortized over the premium-paying periods in proportion to anticipated premium income, allowing for lapses, terminations and anticipated investment income. Acquisition costs related to universal life and single premium annuity contracts for which there is no significant mortality or critical illness risk are deferred and amortized over the lives of the contracts as a percentage of

the estimated gross profits expected to be realized on the contracts.

The Company establishes a premium deficiency reserve to the extent the deferred acquisition costs are insufficient to cover the excess of expected losses and loss expenses, settlement costs and deferred acquisition costs over the related unearned premiums.

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Actual and anticipated losses and loss expenses, other costs, and investment income related to underlying premiums are considered in determining the recoverability of deferred acquisition costs for the Company's short-duration contracts. Actual and anticipated loss experience, together with the present value of future gross premiums, the present value of future benefits, and settlement and maintenance costs are considered in determining the recoverability of deferred acquisition costs related to the Company's Life business.

(d) Funds Held by Reinsured Companies (Cedants)

The Company writes certain business on a funds held basis. Under such contractual arrangements, the cedant retains the premiums that would have otherwise been paid to the Company and the Company earns interest on these funds. The Company generally earns investment income on the funds held balances based upon a predetermined interest rate, either fixed contractually at the inception of the contract or based upon a recognized index (e.g. LIBOR). However, in certain circumstances, the Company may receive an investment return based upon either the result of a pool of assets held by the cedant, generally used to collateralize the funds held balance, or the investment return earned by the cedant on its entire investment portfolio. In these arrangements, gross investment returns are typically reflected in net investment income with a corresponding increase or decrease (net of a spread) being recorded in losses and loss expenses in the Company's Consolidated Statements of Operations. In these arrangements, the Company is exposed, to a limited extent, to the underlying credit risk of the pool of assets inasmuch as the underlying life policies may have guaranteed minimum returns. In such cases, an embedded derivative exists and its fair value is recorded by the Company as an increase or decrease to the funds held balance.

(e) Deposit Assets and Liabilities

In the normal course of its operations, the Company writes certain contracts that do not meet the risk transfer provisions of U.S. GAAP. While these contracts do not meet risk transfer provisions for accounting purposes, there is a remote possibility that the Company will suffer a loss. The Company accounts for these contracts using the deposit accounting method, originally recording deposit liabilities for an amount equivalent to the consideration received. The consideration to be retained by the Company, irrespective of the experience of the contracts, is earned over the expected settlement period of the contracts, with any unearned portion recorded as a component of deposit liabilities. Actuarial studies are used to estimate the final liabilities under these contracts and the appropriate accretion rates to increase or decrease the liabilities over the term of the contracts. The change for the period is recorded in other income or loss in the Consolidated Statements of Operations.

Under some of these contracts, cedants retain the assets on a funds-held basis. In those cases, the Company records those assets as deposit assets and records the related income in net investment income in the Consolidated Statements of Operations.

(f) Investments

The Company elects the fair value option for its fixed maturities, short-term investments, equities and certain other invested assets (except for those that are accounted for using the cost or equity methods of accounting). All changes in the fair value of investments are recorded in net realized and unrealized investment gains or losses in the Consolidated Statements of Operations. The Company defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels. The Company's policy is to recognize transfers between the hierarchy levels at the beginning of the period.

Short-term investments comprise securities with a maturity greater than three months but less than one year from the date of purchase.

Investments in real estate are recorded at cost less accumulated depreciation. Real estate assets held for investment are reviewed for impairment at least annually, or more frequently when events or changes in circumstances indicate the carrying value may not be recoverable and exceeds its estimated fair value.

Other invested assets consist primarily of investments in non-publicly traded companies, private placement equity and fixed maturity investments, corporate loans, derivative financial instruments and other specialty asset classes.

Non-publicly traded entities in which the Company has significant influence, including an ownership of more than 20% and less than 50% of the voting shares, and limited partnerships in which the Company has more than a minor

interest (typically more than 3 to 5%), are accounted for using either the equity method or the fair value option. Corporate loans are recorded under the fair value option. The remaining other invested assets are recorded at fair value or cost depending on the nature of the assets. The valuation techniques used by the Company are generally commensurate with standard valuation techniques for each asset class.

Net investment income includes interest and dividend income, amortization of premiums and discounts on fixed maturities and short-term investments, rental income on investments in real estate as well as investment income on funds held and funds held–directly managed, and is net of investment expenses and withholding taxes. Investment income is recognized when earned. Realized

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gains or losses on the disposal of investments are determined on a first-in, first-out basis. Investment purchases and sales are recorded on a trade-date basis.

(g) Funds Held–Directly Managed

The Company elects the fair value option for substantially all of the fixed maturities, short-term investments and certain other invested assets in the segregated investment portfolio underlying the funds held–directly managed account. Accordingly, all changes in the fair value of the segregated investment portfolio underlying the funds held–directly managed account are recorded in net realized and unrealized investment gains or losses in the Consolidated Statements of Operations.

(h) Cash and Cash Equivalents

Cash equivalents are carried at fair value and include fixed income securities that, from the date of purchase, have a maturity of three months or less.

(i) Business Combinations

The Company accounts for transactions in which it obtains control over one or more businesses using the acquisition method. The purchase price is allocated to identifiable assets and liabilities, including any intangible assets, based on their estimated fair value at the acquisition date. The estimates of fair values for assets and liabilities acquired are determined based on various market and income analyses and appraisals. Any excess of the purchase price over the fair value of net assets acquired is recorded as goodwill in the Company’s Consolidated Balance Sheets, while any excess of the fair value of net assets acquired over the purchase price is recorded as a gain in the Consolidated Statements of Operations. All costs associated with an acquisition are expensed as incurred.

(j) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. The Company assesses the appropriateness of its valuation of goodwill on at least an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If, as a result of the assessment, the Company determines that the value of its goodwill is impaired, goodwill will be written down in the period in which the determination is made. In 2016, the Company changed its annual impairment testing date from September 30 to December 31, primarily due to the key inputs and assumptions used to assess the fair value of reporting units being based on the Company’s annual business plan which is approved by the Board in November each year.

(k) Intangible Assets

Intangible assets represent the fair value adjustments related to non-life reserves, fair value of life business acquired, fair values of non-life renewal rights and customer relationships and U.S. licenses arising from acquisitions. Definite-lived intangible assets are amortized over their useful lives and the amortization expense is recorded in the Consolidated Statement of Operations. Indefinite-lived intangible assets are not subject to amortization. The carrying values of indefinite-lived intangible assets are reviewed for indicators of impairment on at least an annual basis or more frequently if events or changes in circumstances indicate that impairment may exist. In 2016, the Company changed its annual impairment testing date from October 1 to December 31 to align with the goodwill impairment testing date. Impairment is recognized if the carrying values of the intangible assets are not recoverable from their undiscounted cash flows and is measured as the difference between the carrying value and the fair value.

(l) Income Taxes

Certain subsidiaries and branches of the Company operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to net income or loss or, in certain cases, to accumulated other comprehensive income or loss, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the Consolidated Balance Sheets and those used in the various jurisdictional tax returns. When management’s assessment indicates that it is more likely than not that deferred tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount recognized in the financial

statements under U.S. GAAP. Any changes in amounts recognized are recorded in the period in which they are determined.

(m) Translation of Foreign Currencies

The reporting currency of the Company is the U.S. dollar. The national currencies of the Company's subsidiaries and branches are generally their functional currencies, except for the Company's Bermuda subsidiaries, its Swiss branch and its Singapore subsidiary and branches, whose functional currency is the U.S. dollar. In translating the financial statements of those subsidiaries or branches whose functional currency is other than the U.S. dollar, assets and liabilities are converted into U.S. dollars using the rates of exchange in effect at the balance sheet dates, and revenues and expenses are converted using the average foreign exchange rates for the period. The effect of translation adjustments are reported in the Consolidated Balance Sheets as currency translation adjustment, a separate component of accumulated other comprehensive income or loss.

In recording foreign currency transactions, revenue and expense items are converted into the functional currency at the average rates of exchange for the period. Assets and liabilities originating in currencies other than the functional currency are translated into the functional currency at the rates of exchange in effect at the balance sheet dates. The resulting foreign exchange gains or losses are included in net foreign exchange gains or losses in the Consolidated Statements of Operations. The Company also records realized and unrealized foreign exchange gains or losses on certain hedged items in net foreign exchange gains or losses in the Consolidated Statements of Operations (see Note 2(n)).

(n) Derivatives

The Company's derivative instruments are recorded in the Consolidated Balance Sheets at fair value, with changes in fair value recognized in either net foreign exchange gains or losses or net realized and unrealized investment gains or losses in the Consolidated Statements of Operations or accumulated other comprehensive income or loss in the Consolidated Balance Sheets, depending on the nature of the derivative instrument.

Derivatives Used in Hedging Activities

The Company utilizes derivative financial instruments as part of its overall currency risk management strategy. The Company recognizes all derivative financial instruments, including embedded derivative instruments, as either assets or liabilities in the Consolidated Balance Sheets and measures those instruments at fair value. On the date the Company enters into a derivative contract, management designates whether the derivative is to be used as a hedge of an identified underlying exposure (a designated hedge). The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the Consolidated Financial Statements depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of the asset or liability being hedged.

The derivatives employed by the Company to hedge currency exposure related to fixed income securities and other reinsurance assets and liabilities are not designated as hedges. The changes in fair value of these derivatives not designated as hedges are recognized in Net foreign exchange gains or losses in the Consolidated Statements of Operations.

As part of its overall strategy to manage its level of currency exposure, from time to time the Company uses forward foreign exchange derivatives to hedge or partially hedge the net investment in certain subsidiaries and branches whose functional currencies are not the U.S. dollar. These derivatives are designated as net investment hedges, and accordingly, the changes in fair value of the derivative and the hedged item related to foreign currency are recognized in currency translation adjustment in the Consolidated Balance Sheets. The Company also uses, from time to time, interest rate derivatives to mitigate exposure to interest rate volatility.

The Company formally documents all relationships between designated hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. In this documentation, the Company specifically identifies the asset or liability that has been designated as a hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. The Company formally measures effectiveness of its designated hedging relationships both at the hedge inception and on an ongoing basis. The Company assesses the effectiveness of its designated hedges using the period-to-period dollar offset method on an individual currency basis. If the ratio obtained with this method is within the range of 80% to 125%, the Company considers the hedge effective. The time value component of the designated net investment hedges is included in the assessment of hedge effectiveness.

The Company will discontinue hedge accounting prospectively if it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item. To the extent that the Company discontinues hedge accounting related to its net investment in subsidiaries and branches whose functional currencies are not the U.S. dollar, because, based on management's assessment, the derivative no longer qualifies as an effective hedge, the derivative will continue to be carried in the Consolidated Balance Sheets at its fair value, with changes in its fair value recognized in Net foreign exchange gains or losses in the Consolidated Statements of Operations.

Other Derivatives

The Company's investment strategy allows for the use of derivative instruments, subject to strict limitations. The Company utilizes various derivative instruments such as foreign exchange forward contracts, foreign currency option contracts, futures contracts, to-be-announced mortgage-backed securities (TBAs) and credit default swaps for the purpose of managing overall

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currency risk, market exposures and portfolio duration, for hedging certain investments, or for enhancing investment performance that would be allowed under the Company's investment policy if implemented in other ways. These instruments are recorded at fair value as assets and liabilities in the Consolidated Balance Sheets. Changes in fair value are included in net realized and unrealized investment gains or losses in the Consolidated Statements of Operations, except changes in the fair value of foreign currency option contracts and foreign exchange forward contracts which are included in net foreign exchange gains or losses in the Consolidated Statements of Operations. Margin balances required by counterparties, which are equal to a percentage of the total value of open futures contracts, are included in cash and cash equivalents.

The Company enters from time to time into weather and longevity related transactions that are structured as derivatives, which are recorded at fair value with the changes in fair value reported in net realized and unrealized investment gains or losses in the Consolidated Statements of Operations.

The Company enters from time to time into total return and interest rate swaps. Margins related to these swaps are included in other income or loss in the Consolidated Statements of Operations and any changes in the fair value of the swaps are included in net realized and unrealized investment gains or losses in the Consolidated Statements of Operations.

(o) Pensions

The Company recognizes an asset or a liability in the Consolidated Balance Sheets for the funded status of its defined benefit plans that are overfunded or underfunded, respectively, measured as the difference between the fair value of plan assets and the pension obligation and recognizes changes in the funded status of defined benefit plans in the year in which the changes occur as a component of accumulated other comprehensive income or loss, net of tax.

(p) Variable Interest Entities

The Company is involved in the normal course of business with variable interest entities (VIEs). An assessment is performed as of the date the Company becomes initially involved in the VIE followed by a reassessment upon certain events related to its involvement in the VIE. The Company consolidates a VIE when it is the primary beneficiary having a controlling financial interest as a result of having the power to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or right to receive benefits, that could potentially be significant to the VIE.

(q) Segment Reporting

Effective July 1, 2016, the Company monitors the performance of its operations in three segments: Property & Casualty (P&C), Specialty, and Life and Health (previously Non-life, Life and Health, and Corporate and Other). Segments represent markets that are reasonably homogeneous in terms of client types, buying patterns, underlying risk patterns or approach to risk management.

Since the Company does not manage its assets by segment, net investment income is not allocated to the P&C and Specialty segments. However, because of the interest-sensitive nature of some of the Company's Life and Health products, net investment income is considered in management's assessment of the profitability of the Life and Health segment. The following items are not considered in evaluating the results of the P&C, Specialty and Life and Health segments: net realized and unrealized investment gains or losses, interest expense, loss on redemption of debt, amortization of intangible assets, net foreign exchange gains or losses, income tax expense or benefit and interest in earnings and losses of equity method investments. These items are included in the Corporate and Other component, which is comprised of the Company's investment and corporate activities, including other expenses.

(r) Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board (FASB) issued updated guidance on accounting for hedging activities. This update expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments also make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and for assessing hedge effectiveness. The guidance is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its Consolidated Financial Statements and disclosures.

In April 2017, the FASB issued updated guidance on the accounting for goodwill impairment. This update removes the second step of the goodwill impairment test and requires entities to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The guidance is effective for annual impairment tests performed after December 15, 2019, with early adoption permitted. The Company does not expect the adoption of this guidance to have a significant impact on its Consolidated Financial Statements and disclosures.

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In March 2017, the FASB issued updated guidance on presentation of net periodic pension cost and net periodic postretirement benefit cost. This update requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in income separately from the service cost component. Additionally, only the service cost component is eligible for capitalization, when applicable. The guidance is effective for annual periods beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its Consolidated Financial Statements and disclosures.

In February 2016, the FASB issued updated guidance on the accounting for leases. This update requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance and expands required disclosures. The guidance is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this guidance on its Consolidated Financial Statements and disclosures.

In August 2016, the FASB issued updated guidance on the classification of certain cash receipts and payments. This update addresses the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. The guidance is effective for fiscal periods beginning after December 15, 2017, with early adoption permitted. The adoption of this guidance for the year ended December 31, 2018 is not expected to have a significant impact on the Company’s Consolidated Financial Statements.

In October 2016, the FASB issued updated guidance on income taxes with respect to intra-entity transfers of assets. This update requires recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The guidance is effective for fiscal periods beginning after December 15, 2017, with early adoption permitted. The adoption of this guidance for the year ended December 31, 2018 is not expected to have a significant impact on the Company’s Consolidated Financial Statements.

3. Fair Value

(a) Fair Value of Financial Instrument Assets

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement.

The Company determines the appropriate level in the hierarchy for each financial instrument that it measures at fair value. In determining fair value, the Company uses various valuation approaches, including market, income and cost approaches. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 inputs—Unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

The Company’s financial instruments that it measures at fair value using Level 1 inputs generally include: equities listed on a major exchange and exchange traded derivatives, including futures that are actively traded.

- Level 2 inputs—Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets and significant directly or indirectly observable inputs, other than quoted prices, used in industry accepted models.

The Company’s financial instruments that it measures at fair value using Level 2 inputs generally include: U.S. government issued bonds; U.S. government sponsored enterprises bonds; U.S. state, territory and municipal entities bonds; non-U.S. sovereign government, supranational and government related bonds; investment grade and high yield corporate bonds; asset-backed securities; mortgage-backed securities; short-term investments; certain common and preferred equities; notes and loans receivable; foreign exchange forward contracts and over-the-counter derivatives

such as foreign currency option contracts, interest rate swaps and TBAs.

- Level 3 inputs—Unobservable inputs.

The Company's financial instruments that it measures at fair value using Level 3 inputs generally include: inactively traded fixed maturities including U.S. state, territory and municipal bonds; special purpose financing asset-backed bonds; unlisted or private equities; certain other mutual fund or exchange traded fund equities; privately placed

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corporate loans, notes and loan receivables and notes securitizations included in other invested assets; and certain other derivatives, including inactively traded weather derivatives, longevity insurance-linked securities and total return swaps included in other invested assets.

The Company's financial instruments measured at fair value include investments and the segregated investment portfolio underlying the funds held–directly managed account (see Notes 5 and 6). At December 31, 2017 and 2016, the Company's financial instruments measured at fair value were classified between Levels 1, 2 and 3 as follows (in thousands of U.S. dollars):

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December 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities				
U.S. government and government sponsored enterprises	$ —	$ 2,205,964	$—	$2,205,964
U.S. states, territories and municipalities	—	561,505	128,806	690,311
Non-U.S. sovereign government, supranational and government related	—	1,750,770	—	1,750,770
Corporate bonds	—	6,128,636	—	6,128,636
Asset-backed securities	—	30,965	20,738	51,703
Residential mortgage-backed securities	—	1,822,725	—	1,822,725
Other mortgage-backed securities	—	4,750	—	4,750
Fixed maturities	$ —	$ 12,505,315	$ 149,544	$12,654,859
Short-term investments	$ —	$ 4,400	$—	$4,400
Equities				
Finance	$ 11,115	$ 1	$ 21,926	$33,042
Industrials	16,534	—	—	16,534
Technology	1,990	—	10,961	12,951
Insurance	—	7,558	—	7,558
Communications	3,215	—	—	3,215
Consumer cyclical	2,170	—	—	2,170
Consumer noncyclical	897	—	—	897
Other	3,493	—	—	3,493
Mutual funds and exchange traded funds	—	—	558,736	558,736
Equities	$ 39,414	$ 7,559	$ 591,623	$638,596
Other invested assets				
Derivative assets				
Foreign exchange forward contracts	$ —	$ 8,559	$—	$8,559
Futures contracts	3,367	—	—	3,367
Insurance-linked securities	—	—	11,985	11,985
Total return swaps	—	—	2,505	2,505
TBAs	—	391	—	391
Other				
Corporate loans	—	—	205,331	205,331
Notes and loan receivables and notes securitization	—	3,425	108,563	111,988
Private equities	—	—	331,932	331,932
Derivative liabilities				
Foreign exchange forward contracts	—	(20,328)	—	(20,328)
Total return swaps	—	—	(3,269)	(3,269)
Interest rate swaps	—	(12,298)	—	(12,298)
TBAs	—	(591)	—	(591)
Other invested assets	$ 3,367	$ (20,842)	$ 657,047	$639,572
Funds held–directly managed				
U.S. government and government sponsored enterprises	$ —	$ 161,023	$—	$161,023
Non-U.S. sovereign government, supranational and government related	—	95,812	—	95,812

Corporate bonds	—	41,090	—	41,090
Short-term investments	—	453	—	453
Other invested assets	—	—	2,067	2,067
Funds held–directly managed	$ —	$ 298,378	$ 2,067	$ 300,445
Total	$ 42,781	$ 12,794,810	$ 1,400,281	$ 14,237,872

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December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Fixed maturities				
U.S. government and government sponsored enterprises	$ —	$ 3,541,433	$ —	$ 3,541,433
U.S. states, territories and municipalities	—	560,728	123,827	684,555
Non-U.S. sovereign government, supranational and government related	—	1,136,034	—	1,136,034
Corporate	—	5,705,522	—	5,705,522
Asset-backed securities	—	24,709	99,351	124,060
Residential mortgage-backed securities	—	2,240,897	—	2,240,897
Fixed maturities	$ —	$ 13,209,323	$ 223,178	$ 13,432,501
Short-term investments	$ —	$ 21,697	$ —	$ 21,697
Equities				
Finance	$ 973	$ 4,960	$ 20,934	$ 26,867
Technology	—	—	9,800	9,800
Insurance	—	1,800	—	1,800
Consumer noncyclical	6	—	—	6
Mutual funds and exchange traded funds	—	—	153	153
Equities	$ 979	$ 6,760	$ 30,887	$ 38,626
Other invested assets				
Derivative assets				
Foreign exchange forward contracts	$ —	$ 5,263	$ —	$ 5,263
Insurance-linked securities	—	—	10,130	10,130
Total return swaps	—	—	1,989	1,989
TBAs	—	1,369	—	1,369
Other				
Notes and loan receivables and notes securitization	—	1,500	141,693	143,193
Private equities	—	—	305,729	305,729
Derivative liabilities				
Foreign exchange forward contracts	—	(7,142)	—	(7,142)
Insurance-linked securities	—	—	(97)	(97)
Total return swaps	—	—	(3,217)	(3,217)
Interest rate swaps	—	(13,403)	—	(13,403)
TBAs	—	(185)	—	(185)
Other invested assets	$ —	$ (12,598)	$ 456,227	$ 443,629
Funds held–directly managed				
U.S. government and government sponsored enterprises	$ —	$ 171,975	$ —	$ 171,975
Non-U.S. sovereign government, supranational and government related	—	104,512	—	104,512
Corporate bonds	—	71,365	—	71,365
Short-term investments	—	1,603	—	1,603
Other invested assets	—	—	4,540	4,540
Funds held–directly managed	$ —	$ 349,455	$ 4,540	$ 353,995
Total	$ 979	$ 13,574,637	$ 714,832	$ 14,290,448

The increase in equities at December 31, 2017 compared to December 31, 2016 was primarily due to a $500 million investment in two Exor managed public equity funds (see Note 19). The increase in other assets at December 31, 2017

compared to December 31, 2016 was primarily due to a $207 million investment in privately placed corporate loans.
At December 31, 2017 and 2016, the aggregate carrying amounts of items included in Other invested assets that the Company did not measure at fair value were $746 million and $632 million, respectively, which related to the Company's investments that are accounted for using the cost method of accounting or equity method of accounting.
In addition to the investments underlying the funds held–directly managed account held at fair value of $300 million and $354 million at December 31, 2017 and 2016, respectively, the funds held–directly managed account also included cash and cash equivalents, carried at fair value, of $74 million and $76 million, respectively, and accrued investment income of $3 million and $4 million, respectively. At December 31, 2017 and 2016, the aggregate carrying amounts of items included in the

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funds held–directly managed account that the Company did not measure at fair value were $47 million and $77 million, respectively, which primarily related to other assets and liabilities held by Colisée Re related to the underlying business, which are carried at cost (see Note 5).

At December 31, 2017 and 2016, substantially all of the accrued investment income in the Consolidated Balance Sheets relate to the Company's investments and the investments underlying the funds held–directly managed account for which the fair value option was elected.

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2.

Disclosures about the fair value of financial instruments that the Company does not measure at fair value exclude insurance contracts and certain other financial instruments. At December 31, 2017 and 2016, the fair values of financial instrument assets recorded in the Consolidated Balance Sheets not described above approximate their carrying values.

The reconciliations of the beginning and ending balances for all financial instruments measured at fair value using Level 3 inputs for the years ended December 31, 2017 and 2016, were as follows (in thousands of U.S. dollars):

For the year ended December 31, 2017	Balance at beginning of year	Realized and unrealized investment gains (losses) included in net income	Purchases and issuances [1]	Settlements and sales [2]	Net transfers into (out of) Level 3	Balance at end of year	Change in unrealized investment gains (losses) relating to assets held at end of year
Fixed maturities							
U.S. states, territories and municipalities	$123,827	$ 5,804	$—	$(825)	$ —	$128,806	$ 5,804
Asset-backed securities	99,351	3,300	1,360	(83,273)	—	20,738	1,316
Fixed maturities	$223,178	$ 9,104	$1,360	$(84,098)	$ —	$149,544	$ 7,120
Equities							
Finance	$20,934	$ 992	$—	$—	$ —	$21,926	$ 992
Technology	9,800	1,611	—	(450)	—	10,961	1,611
Mutual funds and exchange traded funds	153	51,476	507,250	(143)	—	558,736	51,486
Equities	$30,887	$ 54,079	$507,250	$(593)	$ —	$591,623	$ 54,089
Other invested assets							
Derivatives, net	$8,805	$ 5,977	$1,793	$(5,354)	$ —	$11,221	$ 3,231
Corporate loans	—	(709)	206,700	(660)	—	205,331	(695)
Notes and loan receivables and notes securitization	141,693	2,744	2,040	(37,914)	—	108,563	6,977
Private equities	305,729	29,942	17,572	(21,311)	—	331,932	27,533
Other invested assets	$456,227	$ 37,954	$228,105	$(65,239)	$ —	$657,047	$ 37,046
Funds held–directly managed	$4,540	$ (516)	$495	$(2,452)	$ —	$2,067	$ (629)
Total	$714,832	$ 100,621	$737,210	$(152,382)	$ —	$1,400,281	$ 97,626

(1) Purchases and issuances of derivatives include issuances of $2 million.
(2) Settlements and sales of equities include sales of $1 million.

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For the year ended December 31, 2016	Balance at beginning of year	Realized and unrealized investment (losses) gains included in net income	Purchases and issuances (1)	Settlements and sales (2)	Net transfers into (out of) Level 3	Balance at end of year	Change in unrealized investment (losses) gains relating to assets held at end of year
Fixed maturities							
U.S. states, territories and municipalities	$138,847	$(14,240)	$—	$(780)	$—	$123,827	$(14,240)
Asset-backed securities	369,699	21	191,048	(461,417)	—	99,351	(4,628)
Fixed maturities	$508,546	$(14,219)	$191,048	$(462,197)	$—	$223,178	$(18,868)
Equities							
Finance	$22,760	$3,438	$—	$(5,264)	$—	$20,934	$3,211
Technology	8,207	1,143	450	—	—	9,800	1,143
Communications	1,985	209	—	(2,194)	—	—	55
Mutual funds and exchange traded funds	4,604	(242)	—	(4,209)	—	153	14
Equities	$37,556	$4,548	$450	$(11,667)	$—	$30,887	$4,423
Other invested assets							
Derivatives, net	$5,351	$(3,314)	$2,256	$4,512	$—	$8,805	$(1,772)
Notes and loan receivables and notes securitization	125,922	2,599	71,828	(58,656)	—	141,693	2,278
Annuities and residuals	8,436	262	—	(8,698)	—	—	—
Private equities	71,298	6,764	236,022	(8,355)	—	305,729	2,827
Other invested assets	$211,007	$6,311	$310,106	$(71,197)	$—	$456,227	$3,333
Funds held–directly managed	$10,146	$1,698	$1,011	$(8,315)	$—	$4,540	$1,678
Total	$767,255	$(1,662)	$502,615	$(553,376)	$—	$714,832	$(9,434)

(1) There were no issuances included in the purchases and issuances amounts above.

(2) Settlements and sales of fixed maturities, equities, other invested assets and funds held–directly managed include sales of $276 million, $12 million, $43 million and $8 million, respectively.

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The significant unobservable inputs used in the valuation of financial instruments measured at fair value using Level 3 inputs at December 31, 2017 and 2016 were as follows (fair value in thousands of U.S. dollars):

December 31, 2017	Fair value	Valuation techniques	Unobservable inputs	Range (Weighted average)
Fixed maturities				
U.S. states, territories and municipalities	$128,806	Discounted cash flow	Credit spreads	0.2% – 10.2% (4.7%)
Asset-backed securities	20,738	Discounted cash flow	Credit spreads	4.7% (4.7%)
Equities				
Finance	21,926	Weighted market comparables	Net income multiple	16.7 (16.7)
			Tangible book value multiple	2.0 (2.0)
			Liquidity discount	25.0% (25.0%)
			Comparable return	4.1% (4.1%)
Technology	10,961	Reported market value	Tangible book value multiple	100.0% (100.0%)
Other invested assets				
Total return swaps, net	(764)	Discounted cash flow	Credit spreads	2.4% – 30.8% (18.5%)
Insurance-linked securities – longevity swaps	11,962	Discounted cash flow	Credit spreads	1.7% (1.7%)
Notes and loan receivables	102,907	Discounted cash flow	Credit spreads	3.9% – 39.3% (6.1%)
Notes and loan receivables	4,265	Discounted cash flow	Credit spreads	17.5% (17.5%)
			Gross revenue/fair value	1.1 (1.1)
Notes securitization	1,391	Discounted cash flow	Credit spreads	1.5% (1.5%)
Private equity – direct	3,011	Discounted cash flow and market multiples	Tangible book value multiple	0.8 (0.8)
			Recoverability of intangible assets	0% (0%)
Private equity funds	12,559	Reported market value	Net asset value, as reported	100.0% (100.0%)
			Market adjustments	-0.7% (-0.7%)
Private equity – other	24,241	Discounted cash flow	Effective yield	3.8% (3.8%)
Funds held–directly managed				
Other invested assets	2,067	Reported market value	Net asset value, as reported	100.0% (100.0%)
			Market adjustments	0% (0%)

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December 31, 2016	Fair value	Valuation techniques	Unobservable inputs	Range (Weighted average)
Fixed maturities				
U.S. states, territories and municipalities	$123,827	Discounted cash flow	Credit spreads	1.5% – 10.5% (6.3%)
Asset-backed securities	99,351	Discounted cash flow	Credit spreads	4.1% – 18.5% (14.9%)
Equities				
Finance	20,934	Weighted market comparables	Net income multiple	20.3 (20.3)
			Tangible book value multiple	1.9 (1.9)
			Liquidity discount	25.0% (25.0%)
			Comparable return	36.9% (36.9%)
Technology	9,800	Reported market value	Tangible book value multiple	100.0% (100.0%)
Other invested assets				
Total return swaps, net	(1,228)	Discounted cash flow	Credit spreads	2.9% – 29.4% (19.3%)
Insurance-linked securities – longevity swaps	9,218	Discounted cash flow	Credit spreads	2.6% (2.6%)
Notes and loan receivables	131,176	Discounted cash flow	Credit spreads	4.2% – 24.4% (5.2%)
Notes and loan receivables	8,953	Discounted cash flow	Credit spreads	17.5% (17.5%)
			Gross revenue/fair value	1.2 (1.2)
Notes securitization	1,564	Discounted cash flow	Credit spreads	3.3% (3.3%)
Private equity – direct	5,019	Discounted cash flow and weighted market comparables	Net income multiple	8.6 (8.6)
			Tangible book value multiple	2.0 (2.0)
			Recoverability of intangible assets	0% (0%)
Private equity funds	11,064	Reported market value	Net asset value, as reported	100.0% (100.0%)
			Market adjustments	-0.7% (-0.7%)
Private equity – other	29,949	Discounted cash flow	Effective yield	5.8% (5.8%)
Funds held–directly managed				
Other invested assets	4,540	Reported market value	Net asset value, as reported	100.0% (100.0%)
			Market adjustments	0% (0%)

The tables above do not include financial instruments that are measured using unobservable inputs (Level 3) where the unobservable inputs were obtained from external sources and used without adjustment. These financial instruments include mutual fund and exchange traded funds investments (included within equities), certain private equity funds (included within private equities), privately placed corporate loans (included within other invested assets) and certain derivatives (included within other invested assets).

The Company has established a Valuation Committee which is responsible for determining the Company's invested asset valuation procedures, reviewing significant changes in the fair value measurements of securities classified as Level 3 and ensuring that there is an appropriate independent peer analysis, on at least an annual basis, on the fair value measurements of significant securities that are classified as Level 3. The Valuation Committee is comprised of

members of the Company’s senior management team. The Company’s Group Enterprise Risk Management Financial Risk Policy which covers, amongst other items, invested asset valuation.
Changes in the fair value of the Company’s financial instruments subject to the fair value option during the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands of U.S. dollars):

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	2017	2016	2015
Fixed maturities and short-term investments	$124,033	$(90,334)	$(276,776)
Equities	60,460	(14,850)	(187,561)
Other invested assets	28,144	11,066	(1,835)
Funds held–directly managed	(5,612)	(721)	(6,323)
Total	$207,025	$(94,839)	$(472,495)

Substantially all of the above changes in fair value are included in the Consolidated Statements of Operations under the caption Net realized and unrealized investment gains (losses).

The following methods and assumptions were used by the Company in estimating the fair value of each class of financial instrument recorded in the Consolidated Balance Sheets. There have been no material changes in the Company's valuation techniques during the periods presented.

Fixed maturities

- U.S. government and government sponsored enterprises—U.S. government and government sponsored enterprises securities consist primarily of bonds issued by the U.S. Treasury and corporate debt securities issued by government sponsored enterprises and federally owned or established corporations. These securities are generally priced by independent pricing services. The independent pricing services may use actual transaction prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate option adjusted spreads (OAS), interest rate data and market news. The Company generally classifies these securities in Level 2.
- U.S. states, territories and municipalities—U.S. states, territories and municipalities securities consist primarily of bonds issued by U.S. states, territories and municipalities and the Federal Home Loan Mortgage Corporation. These securities are generally priced by independent pricing services using the techniques described for U.S. government and government sponsored enterprises above. The Company generally classifies these securities in Level 2. Certain of the bonds that are issued by municipal housing authorities and the Federal Home Loan Mortgage Corporation are not actively traded and are priced based on internal models using unobservable inputs. Accordingly, the Company classifies these securities in Level 3. The significant unobservable input used in the fair value measurement of these U.S. states, territories and municipalities securities classified as Level 3 is credit spreads. A significant increase (decrease) in credit spreads in isolation could result in a significantly lower (higher) fair value measurement.
- Non-U.S. sovereign government, supranational and government related—Non-U.S. sovereign government, supranational and government related securities consist primarily of bonds issued by non-U.S. national governments and their agencies, non-U.S. regional governments and supranational organizations. These securities are generally priced by independent pricing services using the techniques described for U.S. government and government sponsored enterprises above. The Company generally classifies these securities in Level 2.
- Corporate—Corporate securities consist primarily of bonds issued by U.S. and foreign corporations covering a variety of industries and issuing countries. Corporate securities also include real estate investment trusts, catastrophe bonds, longevity and mortality bonds and government guarantee corporate debt. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. The Company generally classifies these securities in Level 2. When a corporate security is inactively traded or the valuation model uses unobservable inputs, the Company classifies the security in Level 3.
- Asset-backed securities—Asset-backed securities primarily consist of bonds issued by U.S. and foreign corporations that are predominantly backed by student loans, automobile loans, credit card receivables, equipment leases, and special purpose financing. With the exception of special purpose financing securities, these asset-backed securities are generally priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation. The Company generally classifies these securities in Level 2. Special purpose financing securities are generally inactively traded and are priced based on valuation models using unobservable inputs. The Company generally classifies these securities in Level 3. The significant unobservable input used in the fair value measurement of these asset-backed securities classified as Level 3 is credit spreads. A significant increase (decrease) in credit spreads in isolation could result in a

significantly lower (higher) fair value measurement.

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- Residential mortgage-backed securities—Residential mortgage-backed securities primarily consist of bonds issued by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, as well as private, non-agency issuers. These residential mortgage-backed securities are generally priced by independent pricing services and brokers. When current market trades are not available, the pricing provider or the Company will employ proprietary models with observable inputs including other trade information, prepayment speeds, yield curves and credit spreads. The Company generally classifies these securities in Level 2.
- Other mortgage-backed securities—Other mortgage-backed securities primarily consist of commercial mortgage-backed securities. These securities are generally priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available trade information, prepayment speeds, yield curves and credit spreads to the valuation. The Company generally classifies these securities in Level 2.

In general, the methods employed by the independent pricing services to determine the fair value of the securities that have not been actively traded primarily involve the use of “matrix pricing” in which the independent pricing source applies the credit spread for a comparable security that has traded recently to the current yield curve to determine a reasonable fair value. The Company generally uses one pricing source per security and uses a pricing service ranking to consistently select the most appropriate pricing service in instances where it receives multiple quotes on the same security. When fair values are unavailable from these independent pricing sources, quotes are obtained directly from broker-dealers who are active in the corresponding markets. Most of the Company’s fixed maturities are priced from the pricing services or dealer quotes. The Company will typically not make adjustments to prices received from pricing services or dealer quotes; however, in instances where the quoted external price for a security uses significant unobservable inputs, the Company will classify that security as Level 3. The methods used to develop and substantiate the unobservable inputs used are based on the Company’s valuation policy and are dependent upon the facts and circumstances surrounding the individual investments which are generally transaction specific. The Company’s inactively traded fixed maturities are classified as Level 3. For all fixed maturity investments, the bid price is used for estimating fair value.

To validate prices, the Company compares the fair value estimates to its knowledge of the current market and will investigate prices that it considers not to be representative of fair value. The Company also reviews an internally generated fixed maturity price validation report which converts prices received for fixed maturity investments from the independent pricing sources and from broker-dealers quotes and plots OAS and duration on a sector and rating basis. The OAS is calculated using established algorithms developed by an independent risk analytics platform vendor. The OAS on the fixed maturity price validation report are compared for securities in a similar sector and having a similar rating, and outliers are identified and investigated for price reasonableness. In addition, the Company completes quantitative analyses to compare the performance of each fixed maturity investment portfolio to the performance of an appropriate benchmark, with significant differences identified and investigated.

Short-term investments

Short-term investments are valued in a manner similar to the Company’s fixed maturity investments and are generally classified in Level 2.

Equities

Equity securities include U.S. and foreign common and preferred stocks, real estate investment trusts, mutual funds and exchange traded funds. Equities, real estate investment trusts and exchange traded funds are generally classified in Level 1 as the Company uses prices received from independent pricing sources based on quoted prices in active markets. Equities classified as Level 2 are generally mutual funds invested in fixed income securities, where the net asset value of the fund is provided on a daily basis, and certain common and preferred equities. Equities classified as Level 3 are generally mutual funds invested in securities other than the common stock of publicly traded companies, where the net asset value is not provided on a daily basis, and inactively traded common stocks. The significant unobservable inputs used in the fair value measurement of inactively traded common stocks classified as Level 3 include market return information, weighted using management’s judgment, from comparable selected publicly traded companies in the same industry, in a similar region and of a similar size, including net income multiples, tangible book value multiples, comparable returns, revenue multiples, adjusted earnings multiples and projected return on

equity ratios. Significant increases (decreases) in any of these inputs could result in a significantly higher (lower) fair value measurement. Significant unobservable inputs used in measuring the fair value measurement of inactively traded common stocks also include a liquidity discount. A significant increase (decrease) in the liquidity discount could result in a significantly lower (higher) fair value measurement.

To validate prices, the Company completes quantitative analyses to compare the performance of each equity investment portfolio to the performance of an appropriate benchmark, with significant differences identified and investigated.

Other invested assets
The Company’s exchange traded derivatives, such as futures, are generally classified as Level 1 as their fair values are quoted prices in active markets. The Company’s foreign exchange forward contracts, foreign currency option contracts, interest rate swaps and TBAs are generally classified as Level 2 within the fair value hierarchy and are priced by independent pricing services.
Included in the Company’s Level 3 classification, in general, are certain inactively traded derivatives, including weather derivative insurance-linked securities and total return swaps; corporate loans; notes and loan receivables and notes securitizations; and private equities. For Level 3 instruments, the Company will generally (i) receive a price based on a manager’s or trustee’s valuation for the asset; (ii) develop an internal discounted cash flow model to measure fair value; or (iii) use market return information, adjusted if necessary and weighted using management’s judgment, from comparable selected publicly traded equity funds in a similar region and of a similar size. Where the Company receives prices from the manager or trustee, these prices are based on the manager’s or trustee’s estimate of fair value for the assets and are generally audited on an annual basis. Where the Company develops its own discounted cash flow models, the inputs will be specific to the asset in question, based on appropriate historical information, adjusted as necessary, and using appropriate discount rates. The significant unobservable inputs used in the fair value measurement of other invested assets classified as Level 3 include credit spreads, gross revenue to fair value ratios, net income multiples, effective yields, tangible book value multiples and other valuation ratios. Significant increases (decreases) in any of these inputs in isolation could result in a significantly lower (higher) fair value measurement. Significant unobservable inputs used in the fair value measurement of other invested assets classified as Level 3 also include an assessment of the recoverability of intangible assets and market return information, weighted using management’s judgment, from comparable selected publicly traded companies in the same industry, in a similar region and of a similar size. Significant increases (decreases) in these inputs in isolation could result in a significantly higher (lower) fair value measurement. As part of the Company’s modeling to determine the fair value of an investment, the Company considers counterparty credit risk as an input to the model, however, the majority of the Company’s counterparties are investment grade rated institutions and the failure of any one counterparty would not have a significant impact on the Company’s consolidated financial statements.
To validate prices, the Company will compare them to benchmarks, where appropriate, or to the business results generally within that asset class and specifically to those particular assets.
Funds held–directly managed
The segregated investment portfolio underlying the funds held–directly managed account is comprised of fixed maturities, short-term investments and other invested assets which are fair valued on a basis consistent with the methods described above. Substantially all fixed maturities and short-term investments within the funds held–directly managed account are classified as Level 2 within the fair value hierarchy.
The other invested assets within the segregated investment portfolio underlying the funds held–directly managed account, which are classified as Level 3 investments, are primarily real estate mutual fund investments carried at fair value. For the real estate mutual fund investments, the Company receives a price based on the real estate fund manager’s valuation for the asset and further adjusts the price, if necessary, based on appropriate current information on the real estate market. A significant increase (decrease) to the adjustment to the real estate fund manager’s valuation could result in a significantly lower (higher) fair value measurement.
To validate prices within the segregated investment portfolio underlying the funds held–directly managed account, the Company utilizes the methods described above.
See Note 5 further details regarding Funds held–directly managed.
(b) Fair Value of Financial Instrument Liabilities
At December 31, 2017 and 2016, the carrying values of financial instrument liabilities recorded in the Consolidated Balance Sheets approximate their fair values, with the exception of the long-term debt related to senior notes and capital efficient notes (CENts). The fair value of the debt related to senior notes as of December 31, 2017 and 2016 was calculated based on discounted cash flow models using observable market yields and contractual cash flows based on the aggregate principal amount outstanding. The fair value of the debt related to CENts as of December 31, 2017 was calculated based on market data valuation models using observable inputs based on the aggregate principal

amount outstanding of the intercompany debt.

See Note 10 for further details related to the Company's debt, including the carrying values and fair values.

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At December 31, 2017 and 2016, the Company's debt related to the senior notes and CENts was classified as Level 2 in the fair value hierarchy.

Disclosures about the fair value of financial instrument liabilities exclude insurance contracts and certain other financial instruments.

4. Investments

(a) Net Realized and Unrealized Investment Gains (Losses)

The components of the net realized and unrealized investment gains (losses) for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands of U.S. dollars):

	2017	2016	2015
Net realized investment gains on fixed maturities and short-term investments	$28,632	$96,994	$66,296
Net realized investment (losses) gains on equities	(4,052)	157	137,609
Net realized investment (losses) gains on other invested assets	(3,217)	5,365	(33,317)
Net realized investment gains on funds held–directly managed	508	1,355	536
Net realized investment gains	21,871	103,871	171,124
Change in net unrealized investment gains or losses on fixed maturities and short-term investments	124,033	(90,334)	(276,776)
Change in net unrealized investment gains or losses on equities	60,460	(14,850)	(187,561)
Change in unrealized investment gains or losses on other invested assets	32,790	25,488	844
Change in net unrealized investment gains or losses on funds held–directly managed	(5,567)	(676)	(6,163)
Net other realized and unrealized investment gains or losses	(1,096)	2,767	1,053
Change in net unrealized investment gains or losses	210,620	(77,605)	(468,603)
Net realized and unrealized investment gains (losses)	$232,491	$26,266	$(297,479)

(b) Net Investment Income

The components of net investment income for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands of U.S. dollars):

	2017	2016	2015
Fixed maturities	$382,676	$395,831	$425,541
Short-term investments and cash and cash equivalents	5,363	1,915	854
Equities	(12)	4,382	30,739
Funds held and other	29,068	34,161	27,406
Funds held–directly managed	7,742	9,993	11,676
Investment expenses	(22,766)	(35,418)	(46,432)
Net investment income	$402,071	$410,864	$449,784

Other than the funds held–directly managed account, the Company generally earns investment income on funds held by reinsured companies based upon a predetermined interest rate, either fixed contractually at the inception of the contract or based upon a recognized index (e.g., LIBOR). Interest rates ranged from 0.1% to 7.0% for the year ended December 31, 2017, from 0.0% to 5.4% for the year ended December 31, 2016 and from 0.1% to 8.0% for the year ended December 31, 2015. See Note 5 for additional information on the funds held–directly managed account.

(c) Pledged and Restricted Assets

At December 31, 2017 and 2016, approximately $274 million and $157 million, respectively, of cash and cash equivalents and approximately $3,422 million and $2,241 million, respectively, of securities were deposited, pledged or held in escrow accounts in favor of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws. The increase during the year was a result of the inclusion of Aurigen and collateral required to secure payment for claims related to hurricanes Harvey, Irma and Maria in 2017.

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(d) Net Payable for Securities Purchased

Included within Accounts payable, accrued expenses and other in the Consolidated Balance Sheets at December 31, 2017 and 2016 were amounts of gross receivable balances for securities sold and gross payable balances for securities purchased as follows (in thousands of U.S. dollars):

	December 31, 2017	December 31, 2016
Receivable for securities sold	$144,224	$52,189
Payable for securities purchased	(181,991)	(648,813)
Net payable for securities purchased	$(37,767)	$(596,624)

(e) Variable Interest Entities

The Company holds variable interests in VIEs including certain limited liability companies or partnerships, trusts, fixed maturity investments and asset-backed securities. The holdings in these VIEs are reported within fixed maturities and other invested assets in the Company's Consolidated Balance Sheets. The Company's involvement in these entities is, for the most part, passive in nature. The Company's maximum exposure to loss with respect to these investments is limited to the amounts invested in and advanced to the VIEs, and any unfunded commitments. The Company's non-consolidated VIEs include variable interests in catastrophe bonds within fixed maturity investments and certain other invested assets.

(f) Summarized Financial Information

The Company has an investment in an equity method investee, Almacantar Group S.A. (Almacantar) that is considered significant in terms of the interest in earnings of this investee exceeding 10% of the consolidated net income before income tax expense of the Company as at December 31, 2017. The summarized balance sheet and income statement of Almacantar S.A. is as follows:

	December 31, 2017	December 31, 2016
Current assets	$906,085	$698,835
Noncurrent assets	$1,877,519	$1,510,632
Current liabilities	$553,219	$372,677
Noncurrent liabilities	$690,935	$624,970

	For the year ended	
	December 31, 2017	December 31, 2016
Revenues	$130,333	$24,646
Operating profit	$190,613	$(47,082)
Net income	$213,241	$(37,059)

The summarized balance sheet has been included as at the years ended December 31, 2017 and 2016 and the summarized income statement has been included for the years ended December 31, 2017 and 2016 as the investment in Almacantar was first entered into during 2016. As a result, it is not practicable or meaningful to include summarized financial information for 2015 as there was no ownership interest in the investee at that time. Operating profit referred to in the table above includes revenues, cost of sales, and unrealized gains on properties.

5. Funds Held–Directly Managed

Following Paris Re's acquisition of substantially all of the reinsurance operations of Colisée Re (previously known as AXA RE) in 2006, a subsidiary of AXA SA (AXA), Paris Re and its subsidiaries entered into an issuance agreement and a quota share retrocession agreement to assume business written by Colisée Re from January 1, 2006 to September 30, 2007 as well as the in-force business at December 31, 2005. The agreements provided that the premium related to the transferred business was retained by Colisée Re and credited to a funds held account. The assets underlying the funds held–directly managed account are maintained by Colisée Re in a segregated investment portfolio and managed by the Company. Realized and unrealized investment gains and losses and net investment income related to this account inure to the benefit of the Company.

The investment portfolio underlying the funds held–directly managed account measured at fair value (see Note 3(a)) decreased from $354 million at December 31, 2016 to $300 million at December 31, 2017 primarily due to a commutation of a

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portion of the Reserve Agreement with Colisée Re, the run–-off of the underlying loss reserves associated with this account and the impact of the weakening of the U.S. dollar against most major currencies. See also note 8(a) for discussion of the related reserve agreement.

6. Derivatives

The Company's objectives for holding or issuing derivatives are as follows:

Foreign Exchange Forward Contracts—The Company utilizes foreign exchange forward contracts as part of its overall currency risk management and investment strategies. From time to time, the Company also utilizes foreign exchange forward contracts to hedge a portion of its net investment exposure resulting from the translation of its foreign subsidiaries and branches whose functional currency is other than the U.S. dollar.

Futures Contracts—The Company uses exchange traded treasury note futures contracts to manage portfolio duration and equity futures to hedge certain investments.

Insurance-Linked Securities—The Company enters into various weather derivatives for which the underlying risks reference parametric weather risks in addition to longevity total return swaps for which the underlying risks reference longevity risks.

Total Return and Interest Rate Swaps—The Company enters into total return swaps referencing various project, investments and principal finance obligations. The Company enters into interest rate swaps to mitigate the interest rate risk on certain of the total return swaps and certain fixed maturity investments.

To-Be-Announced Mortgage-Backed Securities—The Company utilizes TBAs as part of its overall investment strategy and to enhance investment performance.

The net fair values and the related net notional values of derivatives included in the Company's Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows (in thousands of U.S. dollars):

			Net derivatives	
December 31, 2017	Asset derivatives at fair value	Liability derivatives at fair value	Fair value	Net notional exposure
Derivatives not designated as hedges				
Foreign exchange forward contracts	$ 8,559	$ (20,328)	$ (11,769)	$ 2,862,927
Futures contracts	3,367	—	3,367	917,696
Insurance-linked securities [(1)]	11,985	—	11,985	78,879
Total return swaps	2,505	(3,269)	(764)	42,147
Interest rate swaps [(2)]	—	(12,298)	(12,298)	192,215
TBAs	391	(591)	(200)	501,405
Total derivatives not designated as hedges	$ 26,807	$ (36,486)	$ (9,679)	

			Net derivatives	
December 31, 2016	Asset derivatives at fair value	Liability derivatives at fair value	Fair value	Net notional exposure
Derivatives not designated as hedges				
Foreign exchange forward contracts	$ 5,263	$ (7,142)	$ (1,879)	$ 1,929,033
Insurance-linked securities [(1)]	10,130	(97)	10,033	145,011
Total return swaps	1,989	(3,217)	(1,228)	42,304
Interest rate swaps [(2)]	—	(13,403)	(13,403)	194,585
TBAs	1,369	(185)	1,184	386,500
Total derivatives not designated as hedges	$ 18,751	$ (24,044)	$ (5.293)	

(1) Insurance-linked securities include longevity swaps for which the notional amounts are not reflective of the overall potential exposure of the swaps. The net notional exposure above included the Company's probable maximum loss

at December 31, 2016 and, for December 31, 2017, the Company's best estimate of the present value of future expected claims.

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(2) The Company enters into interest rate swaps to mitigate notional exposures on certain total return swaps and certain fixed maturities. The net notional exposure for interest rate swaps above relates to fixed maturities.

The fair value of derivatives is recorded in Other invested assets in the Company's Consolidated Balance Sheets.

The Company previously held foreign exchange forward contracts with notional amounts of €350 million to hedge a portion of its net investment exposure to the Euro against the U.S. dollar, which expired September 30, 2016 and was not renewed.

There were no derivatives designated as hedges at December 31, 2017 and 2016.

The gains and losses in the Consolidated Statements of Operations for derivatives not designated as hedges for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands of U.S. dollars):

	2017	2016	2015
Foreign exchange forward contracts	$(41,776)	$(53,437)	$(29,217)
Foreign currency option contracts	—	2,583	(3,472)
Total included in net foreign exchange losses	$(41,776)	$(50,854)	$(32,689)
Futures contracts	$(11,683)	$(5,195)	$(32,004)
Insurance-linked securities	(563)	3,813	(1,556)
Total return swaps	464	(1,096)	1,390
Interest rate swaps	1,105	10,981	(8,101)
TBAs	4,742	6,366	2,877
Other	—	—	2,493
Total included in net realized and unrealized investment gains (losses)	$(5,935)	$14,869	$(34,901)
Total derivatives not designated as hedges	$(47,711)	$(35,985)	$(67,590)

Offsetting of Derivatives

The gross and net fair values of derivatives that are subject to offsetting in the Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows (in thousands of U.S. dollars):

				Gross amounts not offset in the balance sheet		
December 31, 2017	Gross amounts recognized [1]	Gross amounts offset in the balance sheet	Net amounts of assets/liabilities presented in the balance sheet	Financial instruments	Cash collateral received/pledged	Net amount
Total derivative assets	$ 26,807	$ —	$ 26,807	$ (1,142)	$ (43,943)	$ (18,278)
Total derivative liabilities	$ (36,486)	$ —	$ (36,486)	$ 1,142	$ 25,389	$ (9,955)
December 31, 2016						
Total derivative assets	$ 18,751	$ —	$ 18,751	$ (794)	$ (34,120)	$ (16,163)
Total derivative liabilities	$ (24,044)	$ —	$ (24,044)	$ 794	$ 22,923	$ (327)

(1) Amounts include all derivative instruments, irrespective of whether there is a legally enforceable master netting arrangement in place.

7. Goodwill and Intangible Assets

On April 3, 2017, after receiving all necessary regulatory approvals, the Company completed the acquisition of 100% of the outstanding ordinary shares of Aurigen, for CAD 370 million (or approximately $278 million). The acquisition of Aurigen is consistent with the Company's diversified strategy and expands its life reinsurance footprint in Canada and the U.S. with limited overlap in market coverage. The Company recorded pre-tax intangible assets related to the life value of business acquired (life VOBA) of $76 million and insurance licenses of $2 million. A bargain purchase gain of less than $1 million was included in Other income in the Consolidated Statement of Operations for the year ended December 31, 2017 representing the excess of fair value of the net assets acquired over the purchase price of $278 million.

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The Company's goodwill related to the acquisitions of PartnerRe SA, Winterthur Re, Paris Re and Presidio and intangible assets related to the acquisitions of Paris Re, Presidio and Aurigen at December 31, 2017 and 2016 were as follows (in thousands of U.S. dollars):

2017	Goodwill	Definite-lived intangible assets	Indefinite-lived intangible asset	Total intangible assets
Balance at January 1	$456,380	$99,742	$ 7,350	$107,092
Acquired during the year	—	75,583	2,205	77,788
Intangible assets amortization	n/a	(24,646)	n/a	(24,646)
Balance at December 31	$456,380	$150,679	$ 9,555	$160,234

2016	Goodwill	Definite-lived intangible assets	Indefinite-lived intangible asset	Total intangible assets
Balance at January 1	$456,380	$125,661	$ 7,350	$133,011
Intangible assets amortization	n/a	(25,919)	n/a	(25,919)
Balance at December 31	$456,380	$99,742	$ 7,350	$107,092

n/a: Not applicable

The gross carrying value and accumulated amortization of intangible assets included in the Consolidated Balance Sheets at December 31, 2017 and 2016 were as follows (in thousands of U.S. dollars):

	December 31, 2017			December 31, 2016		
	Gross carrying value	Accumulated amortization	Net carrying value	Gross carrying value	Accumulated amortization	Net carrying value
Definite-lived intangible assets:						
Unpaid losses and loss expenses	$191,196	$ 168,581	$22,615	$191,196	$ 157,842	$33,354
Renewal rights	48,163	27,909	20,254	48,163	23,404	24,759
Customer relationships	63,408	29,353	34,055	63,408	21,779	41,629
Life VOBA	75,583	1,828	73,755	—	—	—
Total definite-lived intangible assets	$378,350	$ 227,671	$150,679	$302,767	$ 203,025	$99,742
Indefinite-lived intangible asset:						
Insurance licenses	9,555	n/a	9,555	7,350	n/a	7,350
Total intangible assets	$387,905	$ 227,671	$160,234	$310,117	$ 203,025	$107,092

n/a: Not applicable

Definite-lived intangible assets are amortized over a period of 11 years for unpaid losses and loss expenses, 13 years for renewal rights and customer relationships, and 100 years for life VOBA.

The allocation of the goodwill to the Company's segments at December 31, 2017 and 2016 was as follows (in thousands of U.S. dollars):

	Amount
P&C segment	$241,530
Specialty segment	196,047
Life and Health segment	18,803
Total	$456,380

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The estimated amortization expense for each of the five succeeding fiscal years related to the Company's definite-lived intangible assets was as follows (in thousands of U.S. dollars):

Year Amount