



PartnerRe Ltd.

Financial Condition Report

December 31, 2018

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1. SUMMARY

PartnerRe Ltd. (PartnerRe or the Company) is an exempt company incorporated under the laws of Bermuda with limited liability and is the holding company for PartnerRe group, an international reinsurance group (the Group). The Company is a 100% owned subsidiary of EXOR Nederland N.V. The ultimate parent company is EXOR N.V. (EXOR), a Dutch public limited liability company which is listed on the Milan stock exchange. The Company's principal office is located at Wellesley House South, 90 Pitt's Bay Road, Pembroke HM 08, Bermuda (telephone number: +1 441-292-0888).

This Financial Condition Report (FCR) is based on Rules 30 to 32 of the Bermuda Monetary Authority's (BMA) Insurance (Group Supervision) Rules 2011 (Rules). The Rules specify the requirement for insurance groups to prepare an FCR as outlined in schedule 3 of the aforementioned legislation and requires the FCR be made publicly available on the insurance group's website. This report provides a discussion on the Company's Business and Performance (section 2), Governance Structure (section 3), Risk Profile (section 4), Solvency Valuation (section 5), Capital Management (section 6) and Subsequent Events (section 7).

The Group 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: Property & Casualty (P&C), Specialty and the Life & Health segment. The Company's long-term objective is to provide capacity to clients and 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 impact of changes in interest rates, credit spreads and equity markets on the fair value of investments. Accordingly, the Company's performance during any particular period is not necessarily indicative of its performance over the longer-term reinsurance cycle.

The Company's net (loss) income the years ended December 31, 2018 and 2017 was \$(86) million and \$264 million, respectively, on a U.S. GAAP basis. See section 2 for a discussion of the Company's performance during the year.

The Company uses the standard Bermuda Solvency Capital Requirement (BSCR) model to assess the Enhanced Capital Requirement (ECR) or required statutory capital and surplus. The Available Statutory Economic Capital and Surplus, ECR and BSCR Ratio at December 31, 2018 and 2017 were as follows:

	2018	2017
Available Economic Statutory Capital and Surplus	\$ 8,682	\$ 8,784
ECR	2,680	2,476
BSCR Ratio	324%	355%

The Company's eligible capital by tier at December 31, 2018 and 2017 was as follows (in millions of U.S. dollars):

	2018	2017
Tier 1	6,558	6,624
Tier 2	1,553	1,589
Tier 3	571	571
Total	8,682	8,784

This FCR is primarily based on the Company's Economic Balance Sheet (EBS) as at December 31, 2018. In addition, certain sections include information based on the Company's December 31, 2018 Consolidated Financial Statements which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of the Company and its subsidiaries.

2. BUSINESS AND PERFORMANCE

2.1 BUSINESS

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 Partner Reinsurance Asia Pte. Ltd. (PartnerRe Asia). 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, and accident and health and alternative risk products.

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 its 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) in 1997, the acquisition of Winterthur Re in 1998, the acquisition of PARIS RE Holdings Limited (Paris Re) in 2009, the acquisition of Presidio Reinsurance Group, Inc. (Presidio) in 2012, and the acquisition of Aurigen Capital Limited (Aurigen) in 2017. The acquisition of Aurigen, a North American life reinsurance group, was completed on April 3, 2017 by purchasing 100% of the outstanding ordinary shares for CAD 370 million (or approximately \$278 million), and has enabled the Company to expand its life reinsurance footprint in Canada and the U.S. with limited overlap in market coverage.

At December 31, 2018 and 2017, the Company's Class A shares owned by EXOR Nederland N.V. are included in Shareholders' Equity in the Consolidated Balance Sheets. In 2017 and 2018, the Company also issued Class B shares to certain executives of the Company which are included in accounts payable, accrued expenses and other in the Consolidated Balance Sheets. The Company's preferred shares continue to be traded on the New York Stock Exchange. See Appendix I for a detailed PartnerRe Ltd. structure chart.

As Group Supervisor, the BMA is tasked with assessing the financial condition of the Group and coordinates the dissemination of information to other relevant competent authorities for the purpose of assisting in their regulatory functions and the enforcement of regulatory action against the Company and/or any of its subsidiaries, including the power to impose restrictions on the ability of the relevant subsidiaries to declare dividends to the Company. In addition, the Company is required to maintain the Group ECR imposed by the BMA under Bermuda law. Please refer to Appendix II for the contact details of the Group Supervisor and the approved auditor.

2.2 PERFORMANCE

The tables and financial information in this section are based on the Company's December 31, 2018 and 2017 Consolidated Financial Statements prepared using U.S. GAAP.

2.2.1 UNDERWRITING RESULT

The Company monitors the performance of its operations in three segments: P&C, Specialty and Life and Health. This organizational structure aligns PartnerRe's global expertise with the needs of its client base.

2.2.1.1 REINSURANCE BUSINESS WRITTEN

Premium Distribution

The following table provides the geographic distribution of gross premiums written based on the location of the underlying risk for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Asia, Australia and New Zealand	11%	10%
Europe	34	33
Latin America and the Caribbean	4	5
Middle East, Africa, Russia and the Commonwealth of Independent States (CIS)	4	5
North America	47	47
Total	100%	100%

The Company's gross premiums written by segment for the years ended December 31, 2018 and 2017 were as follows (in millions of U.S. dollars):

	<u>2018</u>	<u>2017</u>
Non-life business:		
P&C segment	\$ 3,015	\$ 2,671
Specialty segment	2,050	1,934
Total Non-life business	5,065	4,605
Life and Health segment	1,235	983
Total	\$ 6,300	\$ 5,588

Overall Segment Results

The segment results for the years ended December 31, 2018 and 2017 were as follows (in millions of U.S. dollars, except ratios).

Segment Information
For the year ended December 31, 2018

	P&C segment ⁽⁶⁾	Specialty segment	Total Non-life	Life and Health segment ⁽⁶⁾	Corporate and Other	Total
Gross premiums written	\$ 3,015	\$ 2,050	\$ 5,065	\$ 1,235	\$ —	\$ 6,300
Net premiums written	\$ 2,722	\$ 1,870	\$ 4,592	\$ 1,211	\$ —	\$ 5,803
(Increase) decrease in unearned premiums	(187)	(103)	(290)	1	—	(289)
Net premiums earned	\$ 2,535	\$ 1,767	\$ 4,302	\$ 1,212	\$ —	\$ 5,514
Losses and loss expenses	(2,073)	(1,096)	(3,169)	(1,025)	—	(4,194)
Acquisition costs	(606)	(502)	(1,108)	(129)	—	(1,237)
Technical result	\$ (144)	\$ 169	\$ 25	\$ 58	\$ —	\$ 83
Other income	30	—	30	13	7	50
Other expenses	(75)	(27)	(102)	(51)	(153)	(306)
Underwriting result	\$ (189)	\$ 142	\$ (47)	\$ 20	n/a	\$ (173)
Net investment income				66	350	416
Allocated underwriting result				\$ 86	n/a	n/a
Net realized and unrealized investment losses					(390)	(390)
Interest expense					(43)	(43)
Amortization of intangible assets					(35)	(35)
Net foreign exchange gains					119	119
Income tax benefit					9	9
Interest in earnings of equity method investments					11	11
Net loss					n/a	\$ (86)
Loss ratio ⁽¹⁾	81.8%	62.0%	73.7%			
Acquisition ratio ⁽²⁾	23.9	28.4	25.8			
Technical ratio ⁽³⁾	105.7%	90.4%	99.5%			
Other expense ratio ⁽⁴⁾	3.0	1.5	2.4			
Combined ratio ⁽⁵⁾	108.7%	91.9%	101.9%			

(1) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.

(2) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.

(3) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

(4) Other expense ratio is obtained by dividing other expenses by net premiums earned.

(5) Combined ratio is defined as the sum of the technical ratio and the other expense ratio.

(6) In 2018, the executive management responsibility and reporting for U.S. health business was reallocated from the Life and Health segment to the P&C segment as part of an internal organizational change. As a result, the financial results for U.S. health business for 2018 has been included in the P&C segment and the impacted 2017 comparatives have been reclassified from the Life and Health to the P&C segment to conform to current presentation.

n/a: Not applicable

Segment Information
For the year ended December 31, 2017

	P&C segment	Specialty segment	Total Non-life	Life and Health segment	Corporate and Other	Total
Gross premiums written	\$ 2,671	\$ 1,934	\$ 4,605	\$ 983	\$ —	\$ 5,588
Net premiums written	\$ 2,375	\$ 1,780	\$ 4,155	\$ 965	\$ —	\$ 5,120
(Increase) decrease in unearned premiums	(45)	(55)	(100)	5	—	(95)
Net premiums earned	\$ 2,330	\$ 1,725	\$ 4,055	\$ 970	\$ —	\$ 5,025
Losses and loss expenses	(2,051)	(955)	(3,006)	(835)	—	(3,841)
Acquisition costs	(534)	(489)	(1,023)	(97)	—	(1,120)
Technical result	\$ (255)	\$ 281	\$ 26	\$ 38	\$ —	\$ 64
Other (loss) income	—	(1)	(1)	14	2	15
Other expenses	(88)	(33)	(121)	(44)	(183)	(348)
Underwriting result	\$ (343)	\$ 247	\$ (96)	\$ 8	n/a	\$ (269)
Net investment income				60	342	402
Allocated underwriting result				\$ 68	n/a	n/a
Net realized and unrealized investment gains					232	232
Interest expense					(42)	(42)
Loss on redemption of debt					(2)	(2)
Amortization of intangible assets					(25)	(25)
Net foreign exchange losses					(108)	(108)
Income tax expense					(10)	(10)
Interest in earnings of equity method investments					86	86
Net income					n/a	\$ 264
Loss ratio	88.0%	55.4%	74.1%			
Acquisition ratio	22.9	28.4	25.2			
Technical ratio	110.9%	83.8%	99.3%			
Other expense ratio	3.8	1.9	3.0			
Combined ratio	114.7%	85.7%	102.3%			

Underwriting Result

Underwriting result consists of technical result (which is net premiums earned less losses and loss expenses and acquisition costs) and other income (loss), less other expenses that are attributable to the respective segment. 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, including net investment income, and other items.

2.2.1.2 PROPERTY AND CASUALTY (P&C) SEGMENT

The components of underwriting result, including 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, 2018 and 2017 were as follows (in millions of U.S. dollars, except ratios):

	2018	2017 ⁽²⁾
Gross premiums written	3,015	2,671
Net premiums written	2,722	2,375
Net premiums earned	2,535	2,330
Losses and loss expenses	(2,073)	(2,051)
Acquisition costs	(606)	(534)
Technical result	(144)	(255)
Other income ⁽¹⁾	30	—
Other expenses	(75)	(88)
Underwriting result	(189)	(343)
Loss ratio	81.8%	88.0%
Acquisition ratio	23.9	22.9
Technical ratio	105.7%	110.9%
Other expense ratio	3.0	3.8
Combined ratio	108.7%	114.7%

⁽¹⁾ Other income primarily represents a gain on the commutation of reserves under a reserve agreement with Colisée Re (previously known as AXA RE).

⁽²⁾ In 2018, U.S. health business was reallocated from the Life and Health segment to the P&C segment and, as a result, the impacted 2017 comparatives have been reclassified to conform to current presentation.

Premiums

The P&C segment represented 47% and 46% of total net premiums written in 2018 and 2017, 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-over year comparisons.

The increase in gross and net premiums written and net premiums earned was driven primarily by new business written, partially offset by cancellations and lower gross reinstatement premiums compared to the prior year relating to large catastrophic losses in 2017. Net premiums written and earned included a reduction for premiums ceded which were marginally lower than the prior year.

Technical result and related ratios

The P&C underwriting and technical results for 2018 and 2017 were largely driven by premiums written and earned reduced for losses and loss expenses, and, to a lesser extent, acquisition costs.

The reduced technical loss (and the corresponding decrease in the technical ratio) in 2018 compared to 2017 was largely driven by an increase in net premiums earned and a lower loss ratio, partially offset by higher acquisition costs. The

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reduced underwriting result loss (and a corresponding decrease in the combined ratio) was driven by the increase in the technical result, and, to a lesser extent, a decrease in other expenses.

2.2.1.3 SPECIALTY SEGMENT

The components of underwriting result, including 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, 2018 and 2017 were as follows (in millions of U.S. dollars, except ratios):

	2018	2017
Gross premiums written	\$ 2,050	\$ 1,934
Net premiums written	\$ 1,870	\$ 1,780
Net premiums earned	\$ 1,767	\$ 1,725
Losses and loss expenses	(1,096)	(955)
Acquisition costs	(502)	(489)
Technical result	\$ 169	\$ 281
Other income	—	(1)
Other expenses	(27)	(33)
Underwriting result	142	247
Loss ratio	62.0%	55.4%
Acquisition ratio	28.4	28.4
Technical ratio	90.4%	83.8%
Other expense ratio	1.5	1.9%
Combined ratio	91.9%	85.7%

Premiums

The Specialty segment represented 32% and 35% of total net premiums written in 2018 and 2017, 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-over year comparisons.

The increase in gross and net premiums written and earned was driven primarily by new business across all lines. These increases were partially offset by cancellations and renewal changes. Net premiums written and earned were partially offset by higher premiums ceded in 2018 under new and existing contracts.

Technical result and related ratios

The Specialty underwriting and technical results for 2018 and 2017 were largely driven by premiums written and earned reduced for losses and loss expenses, and, to a lesser extent, acquisition costs.

The decrease in the technical result (and the corresponding increase in the technical ratio) in 2018 compared to 2017 was largely driven by an increase in the loss ratio, partially offset by an increase in net premiums earned. The decrease in the underwriting result (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.

2.2.1.4 LIFE AND HEALTH SEGMENT

The components of the allocated underwriting result for the Life and Health segment for the years ended December 31, 2018 and 2017 were as follows (in millions of U.S. dollars):

	2018	2017 ⁽²⁾
Gross premiums written.....	\$ 1,235	\$ 983
Net premiums written.....	\$ 1,211	\$ 965
Net premiums earned.....	\$ 1,212	\$ 970
Losses and loss expenses.....	(1,025)	(835)
Acquisition costs.....	(129)	(97)
Technical result.....	\$ 58	\$ 38
Other income ⁽¹⁾	13	14
Other expenses.....	(51)	(44)
Underwriting result.....	\$ 20	\$ 8
Net investment income.....	66	60
Allocated underwriting result.....	\$ 86	\$ 68

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

(2) In 2018, U.S. health business was reallocated from the Life and Health segment to the P&C segment and, as a result, the impacted 2017 comparatives have been reclassified to conform to current presentation.

Premiums

The Life and Health segment represented 21% and 19% of total net premiums written in 2018 and 2017, 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-over-year comparisons.

Allocated underwriting result

The Life and Health underwriting and allocated underwriting results for 2018 and 2017 were largely driven by premiums earned reduced for losses and loss expenses, and, to a much lesser extent, acquisition costs. The increase in allocated underwriting result was primarily driven by increased profitability and organic growth, including the acquired Aurigen operation, partially offset by higher expenses to support the Company's plans to grow the business.

2.2.2 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

Net investment income includes interest, dividends and amortization of premiums and discounts on fixed maturities and short-term investments, as well as investment income on funds held, and is net of investment expenses and withholding taxes. Net investment income by asset source for the years ended December 31, 2018 and 2017 was as follows (in millions of U.S. dollars):

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	2018	2017
Fixed maturities, short-term investments and cash and cash equivalents	\$ 392	\$ 388
Equities, Funds held and other	53	37
Investment expenses	(29)	(23)
Net investment income	\$ 416	\$ 402

Net investment income increased in 2018 compared to 2017 due to higher reinvestment rates and changes in portfolio mix, partially offset by higher investment expenses.

Net Realized and Unrealized Investment Gains

Net realized and unrealized investment gains or losses include amounts realized from sales and redemptions of the Company's fixed maturities, short-term investments, equities and other invested assets, and changes in net unrealized investment gains or losses on these investments.

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 the net realized and unrealized investment (losses) gains for the years ended December 31, 2018 and 2017 were as follows (in thousands of U.S. dollars):

	2018	2017
Net realized investment (losses) gains on fixed maturities and short-term investments	\$ (225)	\$ 29
Net realized investment gains (losses) on equities	15	(4)
Net realized investment gains (losses) gains on other invested assets	7	(3)
Net realized investment gains on funds held—directly managed	1	—
Net realized investment (losses) gains	(202)	22
Change in net unrealized investment gains or losses on fixed maturities and short-term investments	(151)	124
Change in net unrealized investment gains or losses on equities	3	60
Change in net unrealized investment gains or losses on other invested assets	(26)	33
Change in net unrealized investment gains or losses on funds held—directly managed	(6)	(6)
Net other realized and unrealized investment gains or losses	(1)	(1)
Change in net unrealized investment gains or losses	\$ (181)	\$ 210
Impairment loss on investments in real estate	(6)	—
Net realized and unrealized investment (losses) gains	\$ (389)	\$ 232

The net realized and unrealized investment losses of \$389 million in 2018 were largely driven by increases in U.S. risk-free rates and widening of U.S. and European investment grade corporate spreads. Net realized investment losses on fixed maturities and short-term investments were due to changes in investment portfolio mix aimed at increasing yield and decreasing duration, and were partially offset by net realized gains in equities and other invested assets. The impairment loss on investments in real estate was driven by a write-down in value of London-based real estate investments directly owned by the Company.

The net realized and unrealized investment gains of \$232 million in 2017 were primarily due to narrowing of corporate bond spreads and positive performance in public and private equities, partially offset by increases in U.S. risk-free interest rates. The net realized investment gain was primarily driven by gains on sales or redemptions of fixed maturities and short-term investments.

Interest in Earnings of Equity Method Investments

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 Company recorded earnings of \$11 million and \$86 million related to equity method investments for the years ended December 31, 2018 and 2017, respectively.

Total Return

The Company's investment portfolio generated a total return of 0.1% in 2018 compared to 4.2% in 2017. The total accounting return in 2018 reflected increases in risk-free interest rates, widening of corporate bond credit spreads and deterioration of worldwide equity markets. 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 company's total accounting return by asset class as at December 31, 2018 and 2017 was as follows:

	2018	2017
Fixed maturities, short-term investments and cash and cash equivalents	0.1 %	3.7%
Equities	2.9 %	11.3%
Other invested assets	0.8 %	8.7%
Funds held—directly managed	(0.2)%	0.7%
Total	0.1 %	4.2%

2.2.3 OTHER INCOME AND EXPENSES

Management analyzes the Company's net income in three parts: underwriting result (see section 2.2.1), investment result (see section 2.2.2) and other components of net income or loss not allocated to the Company's Non-life and Life and Health segments.

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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	2018	2017
Other expense, net of other income, not allocated to the segments ⁽¹⁾	\$ (146)	\$ (181)
Interest expense	(43)	(42)
Loss on redemption of debt	—	(2)
Amortization of intangible assets	(35)	(25)
Net foreign exchange gains (losses)	119	(108)
Income tax benefit (expense)	9	(10)
Corporate and Other	\$ (96)	\$ (368)

(1) The Company allocates certain other expenses that vary with business written by its operating segments. Refer to Underwriting Result section above for tables that include other expense and other income amounts allocated to each of the three segments.

Other Expenses

The Company's Other expenses are included in the underwriting result and in Corporate and other, as described above. The Company's total Other expenses in the Consolidated Statements of Operations for the years ended December 31, 2018 and 2017 were as follows (in millions of U.S. dollars, except ratios):

	2018	2017
Other expenses	\$ 306	\$ 348
Other expenses, as a % of total net premiums earned	5.5%	6.9%

Other expenses of \$306 million for 2018 decreased by \$42 million, or 12%, in 2018 compared to 2017 primarily due to lower recurring personnel costs driven by a decrease in full-time equivalent employees as a result of efficiency actions undertaken by the Company, in addition to lower reorganization related, consulting and facilities costs, partially offset by higher expenses primarily in the Life and Health segment to support the Company's plans to grow the business. In 2018 and 2017, the Company recorded \$11 million and \$29 million, respectively, of reorganization related costs. In addition, for the year ended December 31, 2017, the Company recorded \$4 million of transaction costs related to the acquisition of Aurigen.

Interest Expense

Interest expense of \$43 million in 2018 was comparable to \$42 million for 2017.

Amortization of Intangible Assets

Amortization of intangible assets relates to intangible assets acquired upon acquisition of Paris Re in 2009, Presidio in 2012, Aurigen in 2017 and Claim Analytics Inc. in 2018. The increase in amortization expense from \$25 million in 2017 to \$35 million in 2018 was primarily related to a reduction for an intangible asset for guaranteed reserves following a commutation of a reserve agreement in 2018.

Net Foreign Exchange Gains (Losses)

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. Net foreign exchange gains were \$119 million for 2018 compared to losses of \$108 million for 2017. The gains in 2018 were mainly driven by the strengthening of the U.S. dollar against certain major currencies and foreign currency hedge results.

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, 2018 and 2017 were as follows (in millions of U.S. dollars):

	2018	2017
Income tax (benefit) expense	\$ (9)	\$ 10
Effective income tax rate	9.4%	3.8%

Income tax (benefit) expense and the effective income tax rate during 2018 and 2017 were primarily driven by the geographic distribution of the Company's pre-tax losses between its various jurisdictions.

3. GOVERNANCE STRUCTURE

3.1 PARENT BOARD AND SENIOR EXECUTIVE

3.1.1 CORPORATE GOVERNANCE FRAMEWORK

The Board considers that good corporate governance is critical to achieving business success and aligning the interests of management and shareholders. In addition to the requirements codified in legislation (including the Bermuda Companies Act 1981), common law and the Company's Bye-Laws, PartnerRe has established a corporate governance framework. This includes Subsidiary Corporate Governance Principles (which define how the Company's subsidiaries are governed reflecting PartnerRe's global business practices) and a Code of Business Conduct and Ethics (which defines standards of ethics, integrity, honesty, fairness and professionalism expected of the Board, officers and employees of PartnerRe), each of which are reviewed regularly against current best practices.

Board Leadership Structure

Since its inception in 1993 PartnerRe has always separated the role of the Chief Executive Officer from that of the Chairman of the Board. The role of Chairman is filled by a non-executive director and as a result, we have not appointed a lead director. The separation of these two roles is an important component of our corporate governance structure. The Chairman provides leadership to the Board, presides at the Board meetings which are scheduled at least twice a year plus informational meetings held at least twice a year and calls additional meetings of the directors as he deems appropriate. The Chairman advises on the selection of committee chairmen, leads the performance evaluation of the Chief Executive Officer and advises on and determines, with the input from the Chief Executive Officer and the Board, the agenda for Board meetings. With input from the Chief Executive Officer, the Chairman determines the nature and extent of information that should be provided to the Board in advance of Board meetings, acts as a liaison between the shareholder and the Board where appropriate and performs such other functions as the Board may direct. The Chairman also presides at all executive sessions of the Board which are held each time a physical Board meeting occurs.

The Board's Role in Risk Oversight

Due to its business of reinsurance, PartnerRe must assume risk in order to achieve its strategic objectives and return targets. However, it is necessary that risk be assumed within an enterprise risk management framework in accordance with an established risk appetite. The Board sets both the risk appetite and return goals by considering the following:

- establishment of a minimum capital level expressed as a fixed percentile of a modeled financial loss exceedance curve plus a margin;
- setting our risk appetite as a percentage of capital, with loss tolerances for the largest financial risks being set with a specific fixed dollar amount; and
- approving key risk management principles and policies utilized by PartnerRe to drive individual decision making throughout the organization.

In addition, the Board also:

- allocates responsibilities for risk oversight among the Board and its committees;
- facilitates open communication between management and directors about the risks which the PartnerRe assumes; and
- fosters an appropriate culture of integrity and risk awareness.

While the Board oversees risk management, it is the responsibility of management to manage risk. PartnerRe has robust internal policies and procedures as well as a strong internal control environment to identify and manage risks which ensures communication with the Board and its committees. PartnerRe's enterprise risk management framework includes policies and procedures, an enterprise risk management committee chaired by the Chief Executive Officer, regular internal management disclosure committee meetings, a comprehensive internal and external audit process and the Code of Business Conduct and Ethics. The Board and the Audit Committee monitor the effectiveness of the internal controls and the Board has oversight over the risk management framework. Management communicates routinely with the Board on the significant risks identified and how they are being managed and mitigated.

Code of Business Conduct and Ethics

The Board of PartnerRe has adopted the Code of Business Conduct and Ethics, which applies to all directors, officers and employees of the Group. Any specific waiver of its provisions requires the approval of the Audit Committee of PartnerRe. Any reported violation to the Code of Business Conduct and Ethics will be investigated and may result in disciplinary action, as appropriate. The outcome of any investigation is shared with the Audit Committee of PartnerRe and the Audit Committee of the subsidiary of PartnerRe as relevant and appropriate.

Meetings and Committees of the Board

The Board has established an Audit Committee comprised of Brian Dowd (Chairman), Mary Ann Brown and Jacques Bonneau, each of whom are independent in accordance with the definition of the applicable New York Stock Exchange and U.S. Securities and Exchange Commission (SEC) Rules. Mr. Patrick Thiele was also a member of the Audit Committee until his resignation from the Board on December 31, 2018. Mary Ann Brown, an independent director of the Company and member of the Audit Committee meets the definition of an "audit committee financial expert" as adopted by the SEC.

The Board in meeting held in March 2019 also established an Underwriting and Risk Committee comprised of Jacques Bonneau (Chairman), Brian Dowd, Emmanuel Clarke and Mary Ann Brown.

Audit Committee

The Board has established an Audit Committee which is governed by an Audit Committee charter.

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, including the receipt of reports arising in respect of the Code of Business Conduct and Ethics;
- the independent auditor's qualifications and independence; and
- the performance of PartnerRe's internal audit function and independent auditors.

The Audit Committee regularly meets with management, the Chief Audit Officer and our independent public accounting firm to review matters relating to the quality of financial reporting and internal accounting controls, including the nature, extent and results of their audits.

Underwriting and Risk Committee

The Board has established an Underwriting and Risk Committee which is governed by an Underwriting and Risk Committee charter.

The purpose of the Underwriting and Risk Committee (as set out in the Underwriting and Risk Committee charter) is primarily to discuss appropriate practices for the Company, including the Company's policies, guidelines, performance, risk management, processes relating to the underwriting of reinsurance risks and assumptions of investment risks undertaken by the Company.

3.1.2 REMUNERATION POLICY

Employee Compensation

The Company's compensation program is designed to provide a combination of fixed annual compensation, short-term incentive compensation, and long-term incentive compensation. The realization of the Company's short-term incentive compensation and long-term incentive compensation depends upon the attainment of a range of performance (individual and group) metrics.

Executive Compensation

The Company, through its subsidiaries, has entered into employment agreements with its executive officers. These agreements provide for annual compensation in the form of salary, benefits, annual incentive payments, long term incentive instruments, the reimbursement of certain expenses, retention incentive payments, and certain severance and change in control provisions. Executive compensation is comprised of salary, annual incentives, long term incentives, and other benefits. The Long-term incentive (LTI) Program consists of awards either in the form of cash or restricted common shares (Class B shares) issued to certain executives. For the year ended December 31, 2018 and 2017 the Company recorded compensation expense of \$13 million paid or payable to executive officers.

The Class B shares 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 in 2017 which stipulated that the granted shares are restricted from sale for three years from date of grant. Grants can be made by the Company twice a year as of March 1 or September 1. The number of shares granted is determined based on a LTI award amount divided by the latest U.S. GAAP book value (or common shareholder's equity) per share published as of either December 31 or June 30 (the valuation dates). As a result, Class B shares with a grant date of March 1 are based on the U.S. GAAP book value as of December 31 valuation date, while Class B shares with a grant date of September 1 are based on the U.S. GAAP book value as of June 30 valuation date.

Unrestricted Class B shares can be redeemed, subject to certain restrictions, at the option of the employee. However, per the notice of grant provided to the employee, once the restriction period has expired, the employee can only sell or transfer the Class B 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 and 2018, the Company granted gross awards in the form of Class B restricted shares of \$6 million and \$9 million, respectively, which resulted in a total of 247,744 Class B restricted shares granted, 104,230 in 2017 and 143,514 in 2018. These Class B restricted shares were issued net of share equivalent to settle related withholding tax, where applicable, resulting in a total issued number of Class B restricted shares of 161,810 to December 31, 2018, of which 71,658 Class B restricted shares were issued in 2017 and 90,152 Class B restricted shares were issued in 2018. The related compensation expense is recognized at fair value over the restriction period of up to three years from date of grant. The total compensation expense recorded in the Consolidated Statements of Operations for the years ended December 31, 2017 and 2018 was \$2 million and \$3 million, respectively.

Director Compensation

Director compensation is provided in-line with industry best practices.

During 2018, the Company paid approximately \$1 million in cash as compensation to directors of the Company for their services as directors. Mr. Clarke did not receive any compensation for his services as a director in 2018. All directors are reimbursed for travel and other related expenses personally incurred while attending Board or committee meetings.

3.1.3 PENSION OR EARLY RETIREMENT SCHEMES

For employee retirement benefits, the Company maintains certain defined contributions plans and frozen defined benefit plans.

Defined Contribution Plans

Contributions are made by the Company, and in some locations, these contributions are supplemented by the local plan participants. Contributions are based on a percentage of the participant's base salary depending upon competitive local market practice and vesting provisions meeting legal compliance standards and market trends. The accumulated benefits for the majority of these plans vest immediately or over a four-year period. As required by law, certain retirement plans also provide for death and disability benefits and lump sum indemnities to employees upon retirement.

3.1.4 RELATED PARTY TRANSACTIONS

As at December 31, 2018 and 2017 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.

The Audit Committee reviews material related party transactions. The Company has disclosed in its Annual Report on Form 20-F all material transactions it entered into with related parties during the years ended December 31, 2018 and 2017. See Note 18 to the Consolidated Financial Statements in Item 18 of the Company's 2018 Annual Report on Form 20-F which is available on our website at www.partnerre.com.

3.2 FITNESS AND PROPRIETY REQUIREMENTS

3.2.1 FIT AND PROPER PROCESS IN ASSESSING THE PARENT BOARD AND SENIOR EXECUTIVE

Significant Board Practices

Advance Materials

Information and data important to the directors' understanding of the business or matters to be considered at a Board or committee meeting are, to the extent practical, distributed sufficiently in advance of the meeting to allow careful review. The Chairman, in conjunction with the Chief Executive Officer, establishes on an annual basis an agenda of topics for consideration and review by the Board during the following year. This annual schedule of topics is then provided to the full Board for review and comment and is adjusted, as appropriate, during the year. In addition, the Chairman and each committee sets a quarterly agenda in advance of all Board and committee meetings.

Access to Management

Directors have full and unrestricted access to management. In addition, key members of management attend Board meetings to present information and field questions in connection with the results, plans and operations of the business within their areas of responsibility.

Access to Outside Advisers

The Board and its committees may retain external counsel or consultants (from time to time) on their own initiative. For example, the Audit Committee has the authority to retain and terminate the independent auditor.

See also Sections 3.1.1 - *Corporate Governance Framework*, 3.1.2 - *Remuneration Policy* and 3.1.4 *Related Party Transactions* above.

3.2.2 PROFESSIONAL QUALIFICATIONS, SKILLS AND EXPERTISE OF PARENT BOARD AND SENIOR EXECUTIVES

The following are the directors and executive officers of the Company as of May 28, 2019:

Name	Position with the Company	Date Appointed
Brian Dowd	Director and Chairman of the Board ⁽¹⁾ , Chairman of the Audit Committee and Member of the Underwriting and Risk Committee	March 18, 2016 ⁽¹⁾
John Elkann	Director	March 18, 2016
Mary Ann Brown	Director, Member of the Audit Committee and Member of the Underwriting and Risk Committee	September 1, 2018
Jacques Bonneau	Director, Member of the Audit Committee and Chairman of the Underwriting and Risk Committee	February 20, 2019
Emmanuel Clarke	Director, President and CEO, PartnerRe Ltd. and Member of the Underwriting and Risk Committee	March 24, 2016
Mario Bonaccorso	Executive Vice President and CFO, PartnerRe Ltd.	April 4, 2016
Scott Altstadt	Chief Underwriting Officer	July 1, 2016
Marc Archambault	CEO Life and Health	April 1, 2017
Dorothee Burkel	Chief Corporate and People Operations Officer	October 2, 2017
Turab Hussain	Chief Risk and Actuarial Officer	December 2, 2017
Nikhil Srinivasan	Chief Investment Officer	September 1, 2018
Greg Haft	CEO Specialty	April 1, 2019
Philippe Meyenhofer	CEO Property & Casualty EMEA	April 1, 2019
James Beedle	CEO Property & Casualty APAC	April 1, 2019

(1) Brian Dowd succeeded John Elkann as Chairman of the Board effective September 1, 2018.

Biographical information - Directors

Brian Dowd, Director, Chairman of the Board, Chairman of the Audit Committee and Member of the Underwriting and Risk 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.

John Elkann, Director

John Elkann is Chairman and Chief Executive Officer of EXOR N.V., Chairman of Fiat Chrysler Automobiles N.V. and Chairman of Ferrari N.V. Born in New York in 1976, Mr. Elkann obtained a scientific baccalaureate from the Lycée Victor Duruy in Paris, and graduated in Engineering from Politecnico of Turin. While at university, he gained work experience in various companies of the Fiat Group in the UK and Poland (manufacturing) and France (sales and marketing). He started his professional career in 2001 at General Electric as a member of the Corporate Audit Staff, with assignments in Asia, the USA and Europe. Mr. Elkann is Chairman of Giovanni Agnelli B.V., Vice Chairman of GEDI Editoriale S.p.A, a board member of the Economist Group, Chairman of the Giovanni Agnelli Foundation and a member of MoMA.

Mary Ann Brown, Director, Member of the Audit Committee and Member of the Underwriting and Risk Committee (Independent)

Mary Ann Brown was Chair of Pacific Life Re and has held multiple roles at Pacific Life before her retirement in 2017. As Chair of Pacific Life Re Ltd., Ms. Brown directed strategy and growth of the global reinsurance division. Prior to joining Pacific Life, Ms. Brown held multiple executive roles at MetLife, Swiss Re and New York Life. She holds a Bachelors and Masters of Arts in Education from Emory University, USA as well as a Masters of Actuarial Science from Georgia State University.

Jacques Bonneau, Director, Member of the Audit Committee and Chairman of the Underwriting and Risk Committee (Independent) - Appointed effective February 20, 2019

Mr. Bonneau has 41 years of professional experience in the re/insurance industry. He has held multiple executive roles, most recently at Chubb Ltd. as Group Chief Underwriting Officer from 2014 to 2017 and as CEO, Chubb Tempest Re Group from 2005 to 2014. Prior to that, he served as CEO, Chubb Tempest Re USA for six years. He holds a Bachelor's degree of Commerce from Carleton University, Ontario as well as a Masters of Business Administration from Queen's University, Ontario.

Emmanuel Clarke, Director, President and CEO, PartnerRe Ltd. and Member of the Underwriting and Risk Committee

Mr. Clarke is responsible for leading and managing the Company's operations. He is also a member of the Company's Executive Leadership Team. 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.

Other

Patrick A. Thiele, Director (Independent) and Member of the Audit Committee - Resigned effective December 31, 2018

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.

Bilge Ogut, Director (Independent) - Resigned effective May 17, 2019

Ms. Ogut is Head of Private Equity in Europe at Partners Group, a 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.

Biographical information - Executive Management

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

See above.

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

Mr. Bonaccorso is a member of the Company's Executive Leadership Team 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.

Scott Altstadt, Chief Underwriting Officer

Scott Altstadt is a member of the Company's Executive Leadership Team 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.

Marc Archambault, CEO Life & Health

Marc Archambault is a member of the Company's Executive Leadership Team 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.

Dorothee Burkel Chief Corporate and People Operations Officer

Dorothee Burkel is a member of the Company's Executive Leadership Team 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 Leadership Team 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.

Nikhil Srinivasan, Chief Investment Officer

Mr. Srinivasan is a member of the Company's Executive Leadership Team and is responsible for the Company's investments. 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.

Greg Haft, CEO Specialty

Greg Haft is a member of the Company's Executive Leadership Team and has executive responsibility for the Company's Specialty Lines business segment. Mr. Haft has over 25 years of industry experience, combining a strong skill-set of actuarial, reinsurance business and leadership capabilities spanning property, casualty and specialty lines. Mr. Haft joined PartnerRe in 2013 as Head of Catastrophe, Bermuda. In 2016 he was appointed to Head of Global Cat and Property North America, and thereafter to Deputy CEO Specialty Lines and leader of Specialty Lines' Property, Marine and Energy (PME) unit. Prior to joining PartnerRe, Mr. Haft was Managing Director, Head of U.S. Property Catastrophe Underwriting at Markel Corporation. Mr. Haft holds a B.S. Mathematics and Statistics from the University of Michigan, is a Fellow of the Casualty Actuarial Society and a Certified Cat Risk Analyst.

Philippe Meyenhofer, CEO Property & Casualty EMEA

Philippe Meyenhofer is a member of the Company's Executive Leadership Team and has executive responsibility for the Company's P&C EMEA regional business unit. Mr. Meyenhofer is also Chairman of the Board of Partner Reinsurance Europe SE. Mr. Meyenhofer joined PartnerRe in 2010 as Head of Financial & Professional Lines PartnerRe Global. He was appointed to Head of Specialty Casualty PartnerRe Global in 2013, to Head of Europe P&C in 2016, and gained the additional responsibility of Deputy CEO P&C in 2018. Mr. Meyenhofer was previously with Transatlantic Re, has over 16 years of industry experience and strong, proven business leadership skills. He holds a Master of Law degree from the University of Fribourg, Switzerland, and a MBA from the University of Chicago Booth School of Business.

James Beedle, CEO Property & Casualty APAC

James Beedle is a member of the Company's Executive Leadership Team and has executive responsibility for the Company's P&C Asia-Pacific regional business unit and its Global Clients and Broker Management unit. Mr. Beedle is also CEO of Partner Reinsurance Asia Pte. Ltd. Mr. Beedle has over 28 years of experience in reinsurance and reinsurance broking, strong strategic leadership capabilities and deep regional knowledge of Asia-Pacific markets. Mr. Beedle joined PartnerRe in 2017 as Head of Asia-Pacific P&C & CEO Partner Reinsurance Asia Pte. Ltd. from Willis Re, most recently as Senior Managing Director of Willis Re Asia-Pacific. His previous roles within Willis Re include COO Willis Re Australia and CEO Willis Re Japan. Mr. Beedle has a BA (Hons) in Economics from the University of York, England, is an Associate of the Chartered Insurance Institute and Executive Committee member of the Singapore Reinsurers' Association.

Other

Charles Goldie, CEO Property & Casualty - Ceased to be the CEO Property & Casualty effective March 31, 2019

Charles Goldie was a member of the Company's Executive Leadership Team and 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.

Biographical information - Officers

In addition to the Executive Leadership Team, PartnerRe also has senior management staff who serve as Officers of the Company and have responsibility for Group matters. The Officers of the Company, as at May 28, 2019, are further identified below:

Chief Accounting Officer:	Wanda Mwaura
Group Treasurer:	Ryan Lipschutz
Group Non-life Actuary:	Terry Kuruvilla
Group Life Actuary:	Romain Bridet
Chief Audit Officer:	Trevor Brookes
Group Risk Officer:	Peter Antal
Tax Director:	Michael Cooze
Secretary, Chief Legal Counsel and Chief Ethics Officer:	Gerd Maxl
Associate General Counsel:	Lee Iannarone
Assistant Secretary:	Seth Darrell

Wanda Mwaura - External Reporting Director, Chief Accounting Officer

Ms. Mwaura is the External Reporting Director and Chief Accounting Officer for PartnerRe and is responsible for external reporting and accounting policy. Ms. Mwaura joined PartnerRe in October 2013 as the Head of External Reporting and Accounting Policy. Prior to that she was an Audit Partner in the Financial Services practice of Ernst & Young Bermuda, primarily responsible for audits of (re)insurance entities. Ms. Mwaura joined Ernst & Young Bermuda in January 1996 as a Staff Accountant and over the years was promoted to Senior, Supervisor, Manager, Senior Manager and Partner. During her career at EY, Ms. Mwaura led the audits and consulting engagements (including internal audit, internal control compliance and other special projects) for many insurance captives, SEC registrants and other reinsurance and asset management clients. Ms. Mwaura has participated on numerous boards and committees over the years, including the Bermuda Insurance Institute, The Institute of Chartered Accountants of Bermuda (ICAB) and the Atlantic School of Chartered Accountants. She holds a Bachelor of Commerce degree from Dalhousie University, is a CPA, and is a member of CPA Bermuda (formerly ICAB).

Ryan Lipschutz - Group Treasurer

Mr. Lipschutz is responsible for PartnerRe Group's treasury and cash management function, foreign currency and collateral management functions as well as acting as Treasurer of the Company. Mr. Lipschutz joined PartnerRe in April 2003 and has held various positions within the Treasury function including Assistant Treasurer and Investment & Treasury Analyst. He was appointed as Treasury Director in 2010 and was appointed as Group Treasurer as of March 24, 2016. Prior to joining the Company, Mr. Lipschutz was an accountant with Tewksbury Capital Management (formerly Trout Trading Management Company) from 1998 through 2003. While Mr. Lipschutz was an auditor with Deloitte & Touche from 1993 through 1998, he successfully passed the Certified Public Accounting exam. Mr. Lipschutz holds a B.A from Muhlenberg College and is Chartered Financial Analyst.

Terry Kuruvilla - Group Non-life Actuary

Mr. Kuruvilla is responsible for the management and oversight of the quarterly reserve processes and peer review of business unit reserve studies. He has over 20 years of experience in the actuarial field and was a Senior Vice President & Chief Actuary with XL Re, Latin America from 2010 to 2012 prior to joining PartnerRe in August 2012. Mr. Kuruvilla was a Vice President & Financial Actuary with XL Re, Bermuda from 2005 -2010. Mr. Kuruvilla joined Saint Paul Companies/Travelers as an Actuarial assistant in 1997, was promoted to Senior Actuarial Assistant in 1999 and was promoted to Actuary in 2001 until 2005. Mr. Kuruvilla is a Fellow of the Casualty Actuarial Society.

Romain Bridet - Group Life Actuary

Mr. Bridet is responsible for Life reserving activities within PartnerRe. He has over 10 years of experience in the Life actuarial field. He started as a Life reserving actuary at GPA, a subsidiary of the Generali Group. He joined PartnerRe in 2004 and he worked as an actuary in both pricing and reserving roles for Life risks. He is a member of the French Institute of Actuaries and he holds the Certified Enterprise Risk Actuary (CERA) qualification.

Trevor Brookes - Chief Audit Officer

Mr. Brookes is responsible for the internal audit function of PartnerRe Group. He joined the Company in February 2011 and prior to that held the role of Head of Internal Audit of RenaissanceRe Holdings Ltd. from 2005 through 2011. Prior to joining Renaissance Re he served as Head of Internal Audit for XL Capital Ltd. for the period from 2000 through 2005. In his early career Mr. Brookes worked for various public accounting firms including KPMG, Ernst & Young and PwC. He holds a B.Comm from the University of Manitoba and is a Chartered Accountant, Certified Internal Auditor and has a Certification in Risk Management Assurance.

Peter Antal - Chief Risk Officer

Mr. Antal joined PartnerRe in November 2016 as Head of Capital and Risk. Prior to joining PartnerRe, Mr. Antal worked with Swiss Re for over 20 years as a member of the Actuarial team culminating in his appointment as Chief Actuary of the Financial Services Business Group (Managing Director) and Head of the Actuarial Department. He was then promoted to Head of Product Strategy and finally held the title of Head of Risk Modeling for six years prior to leaving to take up the role at PartnerRe. Mr. Antal has a PhD in Mathematics from ETH (Swiss Federal Institute of Technology, Zurich), is a Chartered Financial Analyst and a Fellow of the Swiss Actuarial Society. He acts as an expert for the IMF and has lead several technical assistance missions in the Caribbean region and is fluent in German, English, French and Hungarian.

Michael Cooze - Group Tax Director

Mr. Cooze is the Tax Director for the PartnerRe Group and is responsible for the management and coordination of PartnerRe's worldwide tax function relating to tax planning, accounting, and compliance. Mr. Cooze joined PartnerRe in August 2008 as Assistant Group Controller and was promoted to Group Controller in March 2010. Prior to joining PartnerRe, Mr. Cooze was the financial controller for XL Life Ltd, a subsidiary of XL Group Ltd, from August 2003 to August 2008; and, held manager and senior accountant positions at PricewaterhouseCoopers Bermuda from November 1998 to August 2003. Mr. Cooze holds a Bachelor of Commerce degree, major in Accounting, from Saint Mary's University, is a Canadian CPA and member of CPA Bermuda (formerly ICAB).

Gerd Maxl - Secretary, Chief Legal Counsel & Chief Ethics Officer

Gerd Maxl has overall responsibility for the Legal and Compliance functions of the PartnerRe Group. Mr. Maxl joined the Company in November 2012 as General Counsel Global looking after PartnerRe's legal and compliance matters outside Bermuda and North America and was promoted to Chief Legal Counsel in August 2017. Mr. Maxl has more than 16 years of experience in life and non-life (re)insurance and prior to joining PartnerRe Mr. Maxl was an associate in a law firm in Switzerland and thereafter held a number of positions at Zurich Insurance in Switzerland and the US. Mr. Maxl has a law degree from the University of Basel, Switzerland, and was admitted to the bar in Switzerland in 2001.

Lee Iannarone - Associate General Counsel

Mr. Iannarone joined PartnerRe in January 2011 as the General Counsel and CCO of the PartnerRe Investments Group. Mr. Iannarone assumed the additional responsibility of General Counsel of PartnerRe Bermuda in October 2017. Mr. Iannarone began his legal career at the law firm O'Melveny and Myers in their NY and London offices from 1999 to 2005 as an Associate and was promoted to Counsel in 2004. Mr. Iannarone practiced law at the firm Mandel Katz & Brosnan in London from 2005 to 2008 prior to working as Associate General Counsel and CCO of Sandell Asset Management, a multi-strategy hedge fund, in their London and NY offices from 2008 to 2011. Mr. Iannarone holds a BA in Accounting and Finance from Gettysburg College and a JD from Georgetown University Law Center and has been a member of the NY State Bar Association since 2000.

Seth Darrell - Assistant Secretary

Mr. Darrell is the Assistant Secretary of the Company and joined PartnerRe in March 2018. Mr. Darrell joined PartnerRe from Appleby (Bermuda) Limited where he practised corporate and commercial law with an emphasis on non-contentious (re)insurance transactional work, debt and equity securities, cross-border mergers and acquisitions and other structured finance transactions from September 2011 - March 2018. Mr. Darrell received his LLB (Hons) from Queen Mary, University of London, England and completed the Legal Practice Course at BPP Law School, Birmingham. He is a practicing member in good standing of the Bermuda Bar Association.

3.3 RISK MANAGEMENT AND SOLVENCY ASSESSMENT

3.3.1 RISK MANAGEMENT PROCESSES AND PROCEDURES

PartnerRe's Enterprise Risk Management (ERM) Framework outlines policies and procedures applicable to the Group. A discussion of the Group's risk management processes and procedures can be found in Item 4. B. *Business Overview* —*Risk Management* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

3.3.2 IMPLEMENTATION OF RISK MANAGEMENT AND SOLVENCY SELF ASSESSMENT SYSTEMS

3.3.2.1 ERM Framework

The ERM Framework follows the generally accepted best practices and is consistent with the major regulatory regimes the Group operates in. The ERM Framework has been implemented across the Group in line with the regulatory framework in Bermuda and consists of the following main components:

- Risk Governance
- Risk Assessment
- Risk Appetite and Tolerance
- Group Solvency Self-Assessment (GSSA)

Risk Governance

The ERM Framework is governed by a set of policies, collectively known as Group Risk Policies. These policies are subject to annual review and approval by the Board of PartnerRe. Senior management is involved in the annual review and ensures overall alignment with the interests of the Group. Upon approval by the Board of PartnerRe, the Group Risk Policies are adopted by the Board.

Risk Assessment

The Risk Assessment is an annual process to systematically identify and assess all reasonably foreseeable and relevant material risks for the Group, and rate them in order to identify key risks. The Risk Assessment takes into account the effectiveness of controls and other mitigating factors.

Risk owners across the Group and senior management are involved in preparing, discussing and reviewing the Risk Assessment.

Risk Appetite and Tolerance

Risk appetite and Tolerance is defined as the overall level of risk the Group is prepared to accept in pursuit of its strategic objectives. It is reviewed at least annually and approved by the Board of the Company upon recommendation of its Risk Committee.

Group Solvency Self-Assessment (GSSA)

The Group Solvency Self-Assessment builds on the Risk Assessment and the Risk Appetite and Tolerance. It assesses the adequacy of the Group's risk management and the current and projected future solvency position under planned and stressed conditions (see section 3.3.2.2.).

3.3.2.2 SOLVENCY SELF ASSESSMENT

The GSSA assesses the adequacy of the Group's risk management and the current and projected future solvency position. Additionally, to provide the Company with a holistic view on risk, the GSSA process integrates various risk management activities such as the Company's Risk Assessment results, performed at the Group and key Legal Entities, Risk Appetite and Tolerance as well as stress testing.

The required capital for the GSSA framework is defined as the maximum of the internal capital requirement and the capital corresponding to a 120% BSCR ratio.

The binding capital constraint is consequently driven by the internal capital requirement and the GSSA capital is \$5.9 billion.

3.3.3 RELATIONSHIP BETWEEN SOLVENCY NEEDS, CAPITAL AND RISK MANAGEMENT SYSTEMS

The Company considers two capital notions for solvency purposes, regulatory and internal capital. The Group also assesses rating agency capital which is not further allocated to legal entities.

3.3.4 SOLVENCY SELF ASSESSMENT APPROVAL PROCESS

Approval

The Risk Appetite Framework is approved annually by the Board of the Company upon recommendation of its Enterprise Risk Committee (ERC). Exceptions to the Risk Appetite and Tolerance must be approved by the Board.

Review

The formulation of the Risk Appetite and Tolerance is a continuous process based on risk identification and assessment (Risk Assessment), strategic planning and objective setting, and reviews of risk appetite as part of the ERM activities throughout the year, in particular

- following the annual Risk Assessment,
- during the analysis of the results and outputs of the GSSA process, and
- in the event of any material change to strategy, operating environment or business performance.

If deemed necessary following a review, the Risk Appetite Framework will be revised. In any event, it will be reviewed at least annually by the ERC and the Board.

The ERC is authorized by the Board to respond to changes in the business environment including the underwriting cycle, competition, macroeconomic trends, risk events, losses, the capital position, credit ratings, market initiatives and other factors, and propose amendments to the Risk Appetite Framework. All amendments to the Risk Appetite Framework require approval by the Board.

Monitoring

The ERC monitors and ensures adherence to the Risk Appetite and Tolerance. The Chief Risk Officer reports compliance, or lack thereof, formally on a quarterly basis to the Board of Directors via the ERC.

Communication

The Risk Appetite and Risk Limits are communicated to senior management of the relevant functional areas and, where

appropriate, to specific staff such as natural catastrophe underwriters and the Finance functions.

3.4 INTERNAL CONTROLS

3.4.1 INTERNAL CONTROL SYSTEM

As stated earlier in the report, the Board, in its commitment to high standards of business conduct, has adopted various Codes and Guidelines to address key risk areas. These Codes and Guidelines are supported by detailed procedures as necessary.

The Company's internal control system covers a wide range of processes across the Company which includes, but is not limited to: underwriting; claims; investments; risk management and operational functions. Also included in the internal control system are the Company's SOX controls necessary to support its ongoing obligations as an SEC registrant to maintain effective internal controls over financial reporting. The internal control system has also been strengthened by the implementation of a software tool to provide enhanced governance over the Company's existing robust internal control framework as well as to provide enhanced reporting and a mechanism to enhance the collaboration between the Company's risk management, compliance and internal audit functions.

Each Group ERM Risk Policy is complemented by associated risk controls which contain the details of the various risk items, processes and controls that are implemented throughout the organisation to allow the mitigation of the risks associated with the Risk Policy.

The Board oversees the internal control system and is supported in the first instance by the Audit Committee and secondly by Internal Audit through the performance of a risk-based internal audit plan supporting its annual opinion on the Company's internal control system.

In addition to the Company's Board, the Company's compliance function, finance function, actuarial function, risk management function and internal audit function are all key contributors to the governance and oversight of the Company's internal control system.

See also Section 3.5 - *Group Internal Audit* below.

Finance Function

The Company's finance function (which is led by the Company's Chief Financial Officer) ensures:

- the accuracy of the Company's U.S. GAAP and IFRS financial reports;
- the accuracy of the Company's annual statutory financial statements;
- the Company is compliant with relevant accounting policies and standards;
- the Company is compliant with its regulatory financial reporting obligations to the BMA;
- the Company's maintains sufficient capital to meet business and regulatory requirements;
- monitoring of solvency ratios and calculations; and
- that the Company's capital and liquidity is managed efficiently and effectively.

3.4.2 COMPLIANCE FUNCTION

The Company's compliance function (which is headed by the Chief Legal Officer) comprises the Legal & Compliance team together with jurisdictional compliance contacts. This function is responsible for ensuring the Company's compliance with regulatory requirements and legal obligations.

The strategic objectives of the compliance function are:

- ensuring effective relationships with key regulators, industry groups and the Group in order to anticipate and manage new regulatory, legislative and industry developments;
- identifying and implementing appropriate policies and procedures to ensure compliance with regulatory and legislative obligations;
- identifying and reviewing existing regulatory and legislative requirements to determine that existing policies and procedures comply with obligations; and
- providing compliance risk management expertise to ensure business initiatives maintain compliance and achieve business objectives.

The Company's compliance framework ensures there is effective oversight of the activities of the Company taking into consideration the nature, scale and complexity of the business being conducted by it. This includes:

- identification of regulatory and legal obligations and requirements. These are identified by monitoring and documenting legal, regulatory and industry developments and liaising with the BMA (and other jurisdictional regulators as appropriate);
- development of an overarching compliance framework underpinned by detailed policies and procedures. The identified regulatory and legal obligations and requirements inform and shape the policies and procedures to be followed; and
- robust monitoring and regular reporting in respect of the Company's compliance with such policies and procedures. Group Internal Audit, the Company's Chief Risk and Actuarial Officer and the Group risk management functions are key contributors to the assessment of the Company's compliance framework.

The Audit Committee receives quarterly updates from the Company's Legal & Compliance function in respect of monitoring the Company's compliance activities. Such reporting is designed to provide the Audit Committee with sufficient comfort that the Company has complied with all requisite regulatory and legal requirements and, where necessary, to highlight any occasions on which the Company has deviated (in a material and/or non-material manner) from such requirements.

3.5 GROUP INTERNAL AUDIT

The Corporate Audit Group (CAG) assists senior management and the Board in achieving their corporate objectives and discharging their duties and responsibilities. This is achieved through CAG's systematic and disciplined approach to evaluating and improving the effectiveness of the Company's internal control system. The CAG functions as an independent, objective assurance and advisory activity designed to add value and to assist in improving operations.

Based on testing performed as part of a risk-based internal audit program, the CAG provides the Board (via the Audit Committee) with reasonable assurance that:

- operations are effective and efficient;
- internal control over financial reporting is appropriately designed, reliable and operating effectively;
- there is compliance with laws and regulations;
- employee's actions are in compliance with internal policies, standards, procedures and application laws and regulations;
- the Company's assets are acquired economically, used efficiently and appropriately protected; and
- risks are appropriately identified and managed and the Company's risk management policies are consistently applied as documented.

Annually, CAG provides senior management and the Board with an overall opinion on the Company's internal control system.

Management is required to maintain an Anti-Fraud Program, which the Audit Committee oversees, as part of the requirements of the Sarbanes–Oxley Act of 2002. CAG conducts this program on behalf of Management and reports the results to Management and the Audit Committee annually. As part of this program, CAG updates the Company's fraud risk assessment and test the controls annually.

3.6 CAPITAL & RISK AND ACTUARIAL FUNCTION

The Chief Risk and Actuarial Officer ("CRAO") oversees the Capital & Risk and Actuarial functions to ensure proper risk oversight, that the capital model meets business needs and regulatory requirements as well as appropriate reserve estimation. The CRAO reports risk and reserving topics to the Board on a quarterly basis.

The Capital & Risk function provides a link between operations within the business units through the overall PartnerRe risk governance framework which includes reporting on risk exposures through risk scorecards.

Capital & Risk:

- Provides a properly functioning ERM framework including risk policies which appropriately address risks in alignment with evolving regulatory and market (investor, rating agency) standards.
- Establishes methodology to support the mitigation of risks such as risk identification and assessment processes
- Performs risk monitoring and reporting including risk correlation, concentration and aggregation.
- Ensures deployed capacity is monitored and remain within the defined risk appetite expressed at Group or at the Legal Entity level.
- Builds, evolves and maintains the capital model to meet business requests and regulatory requirements. A single capital model is used across the group to meet various needs and purposes.
- Discusses and challenges assumptions with internal stakeholders and subject matter experts in order to build a common understanding about risk.
- Discusses and challenges internal stakeholders on all risk issues in relation to the Risk Universe and ERM Framework through the ERC and Risk Committee at the Legal Entity level.
- Oversight of Group Security Committee to set guidelines for counterparty credit risks.
- Ensures capital is appropriately attributed to business units for pricing purposes.

Actuarial:

The Group's actuarial function ensures:

- the Company has a robust and structured approach to estimating the Company's reserves and reserving considerations are integrated into key operations and strategic decision making; and

- the Company complies with regulatory and financial requirements for the estimation and reporting of reserves within an appropriately controlled framework.

The actuarial function provides inputs to the risk scorecards produced by the risk management function. It also produces indications for premium and reserve capital factors used in pricing along with asset, reserve and non-cat risk distributions.

3.7 OUTSOURCING

3.7.1 OUTSOURCING POLICY

Where appropriate, operating subsidiaries of the Company have adopted outsourcing principles and guidelines to govern outsourcing and to manage and mitigate the potential risks associated with outsourcing, in accordance with regulatory requirements. In the event of outsourcing, the Company's principles provide that due diligence shall be performed and shall ensure, among other things, the financial stability of the service provider together with their capacity and technical resources to carry out the outsourced activity. The Company's principles also outline the required content for Service Level Agreements which includes an obligation on the parties to the contract to comply with all legal and regulatory obligations. As a multi-national organization, the Company utilizes the expertise from other PartnerRe Group entities and jurisdictions (i.e. subsidiaries and affiliates of the Company) for services from the key group functions including underwriting and claims, actuarial and reserving, risk management, legal and compliance, finance and accounting, internal audit and investments. Third party outsourcings are limited and driven by strategic business decisions and/ or legal and regulatory obligations.

3.7.2 MATERIAL INTRA-GROUP OUTSOURCING

See section 3.7.1 - *Outsourcing Policy* above.

3.8 ANY OTHER MATERIAL INFORMATION

N/A

4. RISK PROFILE

4.1 MATERIAL RISKS

A discussion of the Group's material risks can be found in Item 4.B. *Business Overview—Risk Management* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

4.2 RISK MITIGATION

Retrocessional Reinsurance

PartnerRe 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 Group'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 Group 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 Group 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 Group 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.

See Section 4.1 - *Material Risks* above.

4.3 MATERIAL RISK CONCENTRATIONS

Business Written through Brokers

We produce our business both through brokers and through direct relationships with insurance company clients. For the year ended December 31, 2018, more than 70% of our gross premiums written were produced through brokers. The Company has two brokers that each individually accounted for 22% of the Company's total gross premiums written for 2018. 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.

Market Risk

Management believes that the Company is principally exposed to six types of market related risk: interest rate risk, credit spread risk, foreign currency risk, counterparty credit risk, equity price risk and real estate price risk. A discussion of how these risks relate to the Company, and the process used to manage them can be found in Item 11. *Quantitative and Qualitative Disclosures about Market Risk* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

See Section 4.1 - *Material Risks* above.

4.4 INVESTMENT PHILOSOPHY

A discussion of PartnerRe's investment philosophy can be found in Item 5. *Operating and Financial Review and Prospects—Investment Operations* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

4.5 STRESS TESTING OF MATERIAL RISKS

The Company performs stress testing for its material risks. In addition, some of the risk tolerance criteria set by the Board and monitored on quarterly basis are based on certain predefined extreme scenarios.

BSCR Model Stress Testing

The Company also performs stress-testing as prescribed in the BMA's BSCR model which tests the impact on the BSCR ratio after specified events. In addition, the BMA instructions also require the Company to estimate a worst case scenario for the Group. The worst-case annual aggregate loss for PartnerRe Group is evaluated by the company's internal capital model at the 99.6th percentile (corresponding to a return period of 250 years). The corresponding gross loss for the Group at the 1 in 250 level is \$3,203 million and \$2,932 million on a net basis. This probable maximum loss (PML) includes a buffer for all non-modeled risks.

Based on a Co-VaR analysis, the main contributions to the above 1 in 250 PML are Financial Market Risks (47%), adverse deviation of reserves (20%), Life Reinsurance Risks (15%) and Natural Catastrophe Risk (12%).

4.6 ANY OTHER MATERIAL INFORMATION

N/A

5. SOLVENCY VALUATION

The information in this section is based on the Company's Economic Balance Sheet as at December 31, 2018.

5.1 VALUATION OF ASSETS

PartnerRe values its assets in accordance with U.S. GAAP, including the use of the fair value measurement for certain assets. A discussion of the Group's significant accounting policies can be found in Note 2 to the Consolidated Financial Statements in Item 18 of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

The Company records the following material adjustments to assets from U.S. GAAP to EBS:

- remove non-admitted assets such as goodwill, intangibles and prepaid expenses; and
- remove reinsurance recoverables and deferred acquisitions costs (these are included in liabilities as a component of technical provisions).

See Section 6.1.7 *Reconciliation of Shareholder's Equity to Available Capital and Surplus*.

5.2 VALUATION OF TECHNICAL PROVISIONS

Non-Life Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin (\$772 million and \$768 million as at December 31, 2018 and 2017, respectively).

The best estimate corresponds to the probability-weighted average of future cash flows, discounted using the relevant risk-free interest rate term structure with an appropriate illiquidity adjustment and does not make any allowance for the company's own credit standing. The cash flow projections used in the calculation of the best estimate takes into account all future cash inflows and outflows required to settle the insurance obligations attributable to the lifetime of the policy. The cash flows is based on unbiased current estimates and include:

- Gross liability for unpaid losses and loss expenses which includes 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). The best estimate is determined 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;
- Reinsurance recoveries which are based on principles similar to, and consistent with, those underlying the gross liability for unpaid losses and loss expenses;
- Future best-estimate premium payments including premium for business bound but not incepted (BBNI). BBNI premium provision takes into account the expected profits and the time value of money over the period until settlement of the relevant cash out-flows; and
- Expenses that will be incurred servicing existing policies during their lifetime including administrative expenses, claims management expenses, acquisition expenses, investment expenses and overhead expenses.

Reinsurance recoveries represent less than 10% of the gross reserves. Therefore in line with the principle of proportionality, the Company derives the gross best estimate from the net best estimate without an explicit projection of the cash-flows underlying the amounts recoverable from reinsurance contracts. A net-to-gross factor is applied to the net technical provisions and the value of reinsurance recoverables is derived as the excess of the gross over the net estimate. Given the small level of reinsurance recoveries, the expected losses due to counterparty default is considered immaterial and therefore no explicit adjustment has been made for counterparty default.

The risk margin reflects the uncertainty associated with the probability-weighted cash flows. The Cost-of-Capital approach is used under the following guidelines:

- The cost-of-capital rate used is 6% as specified by the BMA;
- The calculation reflects Bermuda regulatory capital requirements calculated using the Bermuda Statutory Capital Requirement (BSCR) capital factors;
- The calculation covers the full period needed to run-off the insurance liabilities and is discounted using the risk-free discount curve (without the illiquidity adjustment);
- The risks taken into account are insurance risk, counterparty credit risk and operational risk; and
- The Company takes credit for diversification between lines of business and risk types consistent with the assumptions underlying the BSCR model.

Life and Health Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin (\$581 million and \$496 million as at December 31, 2018 and 2017, respectively).

The best estimate corresponds to the probability-weighted average of future cash flows, discounted using the relevant risk-free interest rate term structure. The cash flow projections used in the calculation of the best estimate takes into account all future cash in- and out-flows required to settle the insurance obligations attributable to the lifetime of the policy. The cash flows is based on unbiased current estimates. The methodologies applied to derive the cash flows differ for each of the separate lines of business.

- For the vast majority of long term business projections are performed using proprietary software based on seriatim data and best estimate assumptions are challenged against industry standards adjusted to reflect emerging experience. For the remainder of the long term business and short term business, a simplified approach is followed using the U.S. GAAP reserves as starting point adjusted to remove margins for prudence;
- In practice, a loading on claims is used for Mortality products as an allowance for binary events not included in the data (pandemic event for example);
- Best estimate liabilities include allowance for BBNI taking into account the expected profits and the time value of money over the period until settlement of the relevant cash out-flows; and
- For each class of business, the best estimate includes an allowance for future direct and overhead expenses. The assumptions generally exclude expenses related to the acquisition of new business. The only the exception is the BBNI business which include an allowance for acquisition expenses. Projected expenses also include an allowance for inflation.

The risk margin reflects the uncertainty associated with the probability-weighted cash flows. The Cost-of-Capital approach is used under the following guidelines:

- The cost-of-capital rate used is 6% as specified by the BMA;

- The calculation reflects Bermuda regulatory capital requirements calculated using the Bermuda Statutory Capital Requirement (BSCR) capital factors; the BSCR for longevity risks has been adjusted to reflect an underestimation of the BSCR for longevity swap arrangements;
- The calculation covers the full period needed to run-off the insurance liabilities and is discounted using the risk-free discount curve;
- The risks taken into account are insurance risk, counterparty credit risk and operational risk; and
- The Company takes credit for diversification between lines of business and risk types consistent with the assumptions underlying the BSCR model.

5.3 RECOVERABLES FROM REINSURANCE CONTRACTS

See section 5.2 *Valuation of Technical* provisions above.

5.4 VALUATION OF OTHER LIABILITIES

PartnerRe values its other liabilities in accordance with U.S. GAAP. A discussion of the Group's significant accounting policies can be found in Note 2 to the Consolidated Financial Statements in Item 18 of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

5.5 ANY OTHER MATERIAL INFORMATION

See section 6.1.7. *Reconciliation of Shareholder's Equity to Available Capital and Surplus* for a reconciliation of the Company's shareholders' equity as per the Company's financial statements prepared using U.S. GAAP to Statutory Economic Capital and Surplus as calculated under EBS.

6. CAPITAL MANAGEMENT

6.1 ELIGIBLE CAPITAL

6.1.1 CAPITAL MANAGEMENT PROCESS

Capital Adequacy

A key priority for management is to hold sufficient capital to meet all of the Company's obligations to cedants, meet regulatory and rating agency requirements of the group and the Company's regulated subsidiaries 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 or curtailing capital to fund business opportunities and, during times when the Company has excess capital and business opportunities are not so attractive, returning capital to its shareholders by way of dividends.

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.

6.1.2 ELIGIBLE CAPITAL BY TIER

The Company's eligible capital by tier at December 31, 2018 and 2017 was as follows (in millions of U.S. dollars):

	2018	2017
Tier 1	\$ 6,558	6,624
Tier 2	1,553	1,589
Tier 3	571	571
Total	\$ 8,682	8,784

Tier 1 capital includes statutory economic surplus, capital stock and contributed surplus.

Tier 2 capital includes redeemable preferred shares and fixed term debt approved by the BMA as other fixed capital.

Tier 3 capital includes fixed term debt approved by the BMA as other fixed capital.

6.1.3 ELIGIBLE CAPITAL APPLIED TO ENHANCED CAPITAL REQUIREMENT (ECR) AND MINIMUM SOLVENCY REQUIREMENT (MSM)

The Company's eligible capital applied to the ECR and MSM by tier at December 31, 2018 was as follows (in millions of U.S. dollars):

	Applied to MSM	Applied to ECR
Tier 1	\$ 6,558	6,558
Tier 2	1,553	1,553
Tier 3	—	571
Total	\$ 8,111	8,682

6.1.4 TRANSITIONAL ARRANGEMENTS

N/A

6.1.5 ENCUMBERANCES ON CAPITAL

At December 31, 2018 and 2017, approximately \$152 million and \$274 million, respectively, of cash and cash equivalents and approximately \$3,849 million and \$3,422 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 2018 was mainly driven by collateral required to secure payment for claims related to hurricane Michael and the California wildfires.

At December 31, 2018 and 2017, the Company had \$830 million and \$801 million, respectively, of funds held by ceding reinsurers.

6.1.6 ANCILLARY CAPITAL

At December 31, 2018 ancillary capital approved by the BMA was as follows:

Capital instrument	Date of issue	Maturity date	Value of capital instrument	Eligible capital tier
PartnerRe Ireland Finance DAC 1.25% Notes (EUR)	September 15, 2016	September 15, 2026	\$ 849,017	Tier 2 Ancillary
PartnerRe Finance B LLC 5.5% Senior Notes	March 15, 2010	June 1, 2020	\$ 500,000	Tier 3 Ancillary
Capital Efficient Notes	November 7, 2006	December 1, 2066	\$ 70,989	Tier 3 Ancillary

6.1.7 RECONCILIATION OF SHAREHOLDERS' EQUITY TO AVAILABLE CAPITAL AND SURPLUS

The following table compares shareholders' equity as per the Company's financial statements prepared using U.S. GAAP to Statutory Economic Capital and Surplus as calculated under EBS (in millions of U.S. dollars):

PARTNERRE LTD.
FINANCIAL CONDITION REPORT DECEMBER 31, 2018

	2018	2017
U.S. GAAP Shareholders' Equity	6,517	\$ 6,745
Non-Admitted Assets ¹	(591)	(632)
Ancillary Capital (see Section 6.1.6)	1,420	1,456
Statutory Capital and Surplus (Form 1)	7,346	\$ 7,569
EBS Adjustments ²	1,336	1,215
Statutory Economic Capital and Surplus (Form 1EBS)	8,682	\$ 8,784

1. Non-admitted assets include goodwill, prepaid expenses and other similar intangible assets, which are not considered admissible for solvency purposes.
2. At December 31, 2018, total general business (Non-life) and long-term business (Life) technical provisions include EBS adjustments that result in a net benefit to capital of \$943 million and \$393 million, respectively (see section 5.2 for a detailed explanation of the valuation of technical provisions). At December 31, 2017, total general business (Non-life) and long-term business (Life) technical provisions include EBS adjustments that result in a net benefit to capital of \$707 million and \$508 million, respectively.

6.2 REGULATORY CAPITAL REQUIREMENTS

The Company's ECR and MSM at as December 31, 2018 and 2017 were as follows (in millions of U.S. dollars):

	2018	2017
ECR	2,680	2,476
MSM	1,972	1,999

As at December 31, 2018 and 2017, the Company's solvency, liquidity and risk-based capital levels were in excess of the minimum levels required.

6.3 APPROVED INTERNAL CAPITAL MODEL

N/A

6.4 ANY OTHER MATERIAL INFORMATION

N/A

7. SUBSEQUENT EVENTS

On March 20, 2019, the Company's Board of Directors declared the payment of dividends on common shares of \$80 million which were paid on March 21, 2019.

**PARTNERRE LTD.
FINANCIAL CONDITION REPORT DECEMBER 31, 2018**

8. DECLARATIONS

We, the Chief Executive Officer and Chief Financial Officer of PartnerRe Ltd. do hereby certify that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of PartnerRe Ltd. in all material respects.

CHIEF EXECUTIVE OFFICER

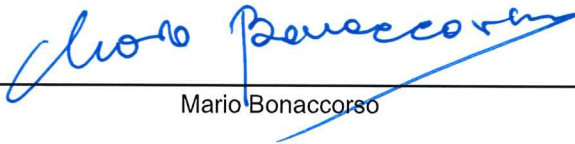


Emmanuel Clarke

May 28, 2019

Date

CHIEF FINANCIAL OFFICER



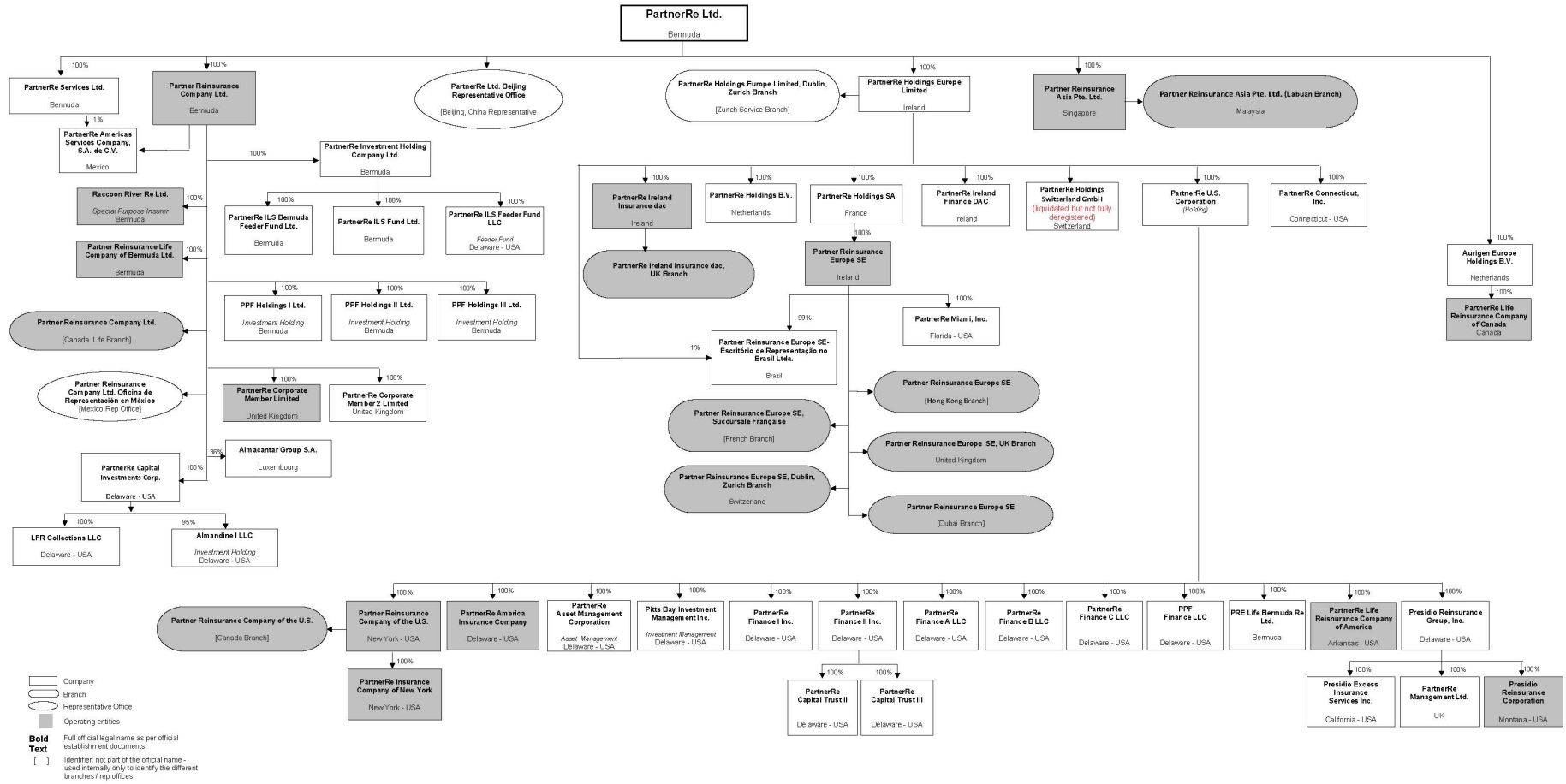
Mario Bonaccorso

May 28, 2019

Date

PartnerRe Group Structure

as at December 31, 2018



Appendix II

Contact Details

Group supervisor:

Organization: Bermuda Monetary Authority
Jurisdiction: Bermuda
Phone Number: 1(441)295 5278

Approved group auditor:

Organization: Ernst & Young Ltd.
Jurisdiction: Bermuda
Phone Number: 1(441)295 7000