

PARTNERRE LTD
Form 10-Q
May 08, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009**

OR

**“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the transition period from _____ to _____.**

Commission file number 1-14536

PartnerRe Ltd.

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(Exact name of Registrant as specified in its charter)

Bermuda
(State of incorporation)

Not Applicable
(I.R.S. Employer Identification No.)

90 Pitts Bay Road, Pembroke, HM08, Bermuda

(Address of principal executive offices) (Zip Code)

(441) 292-0888

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the Registrant's common shares (par value \$1.00 per share) outstanding, net of treasury shares, as of April 30, 2009 was 56,586,095.

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PartnerRe Ltd.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have reviewed the accompanying condensed consolidated balance sheet of PartnerRe Ltd. and subsidiaries (the Company) as of March 31, 2009, and the related condensed consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the three-month periods ended March 31, 2009 and 2008. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of PartnerRe Ltd. and subsidiaries as of December 31, 2008 and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche
Deloitte & Touche

Hamilton, Bermuda
May 8, 2009

Table of Contents**PartnerRe Ltd.****Unaudited Condensed Consolidated Balance Sheets**

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

	March 31, 2009	December 31, 2008
Assets		
Investments:		
Fixed maturities, trading securities, at fair value (amortized cost: 2009, \$10,370,597; 2008, \$10,219,126)	\$ 10,280,043	\$ 10,181,995
Short-term investments, trading securities, at fair value (amortized cost: 2009, \$68,752; 2008, \$116,445)	69,024	117,091
Equities, trading securities, at fair value (cost: 2009, \$544,324; 2008, \$637,198)	426,416	512,812
Other invested assets	54,769	74,493
Total investments	10,830,252	10,886,391
Cash and cash equivalents, at fair value, which approximates amortized cost	571,638	838,280
Accrued investment income	170,693	169,103
Reinsurance balances receivable	2,125,796	1,719,694
Reinsurance recoverable on paid and unpaid losses	161,753	153,594
Funds held by reinsured companies	753,187	786,422
Deferred acquisition costs	659,012	617,121
Deposit assets	328,552	342,132
Net tax assets	168,264	215,703
Goodwill	429,519	429,519
Net receivable for securities sold		43,007
Other assets	76,108	78,354
Total assets	\$ 16,274,774	\$ 16,279,320
Liabilities		
Unpaid losses and loss expenses	\$ 7,393,205	\$ 7,510,666
Policy benefits for life and annuity contracts	1,421,420	1,432,015
Unearned premiums	1,706,598	1,273,787
Other reinsurance balances payable	217,335	209,007
Deposit liabilities	353,726	362,485
Net tax liabilities	195,663	219,679
Net payable for securities purchased	23,526	
Accounts payable, accrued expenses and other	160,245	164,968
Current portion of long-term debt		200,000
Long-term debt	200,000	200,000
Debt related to senior notes	250,000	250,000
Debt related to capital efficient notes	70,989	257,605
Total liabilities	11,992,707	12,080,212
Shareholders Equity		
Common shares (par value \$1.00, issued: 2009, 57,874,268; 2008, 57,748,507)	57,874	57,749
Series C cumulative preferred shares (par value \$1.00, issued and outstanding: 2009 and 2008, 11,600,000; aggregate liquidation preference: 2009 and 2008, \$290,000)	11,600	11,600
Series D cumulative preferred shares (par value \$1.00, issued and outstanding: 2009 and 2008, 9,200,000; aggregate liquidation preference: 2009 and 2008, \$230,000)	9,200	9,200
Additional paid-in capital	1,471,062	1,465,688
Accumulated other comprehensive (loss) income:		

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Net unrealized gains on investments (net of tax of: 2009 and 2008, \$nil)	5,081	3,943
Currency translation adjustment	3,688	34,888
Unfunded pension obligation (net of tax of: 2009, \$4,349; 2008, \$4,668)	(14,837)	(16,023)
Retained earnings	2,835,998	2,729,662
Common shares held in treasury, at cost (2009 and 2008, 1,295,173)	(97,599)	(97,599)
Total shareholders equity	4,282,067	4,199,108
Total liabilities and shareholders equity	\$ 16,274,774	\$ 16,279,320

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

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

	For the three months ended March 31, 2009	For the three months ended March 31, 2008
Revenues		
Gross premiums written	\$ 1,340,380	\$ 1,439,332
Net premiums written	\$ 1,308,058	\$ 1,411,564
Increase in unearned premiums	(441,608)	(501,811)
Net premiums earned	866,450	909,753
Net investment income	133,127	137,010
Net realized and unrealized investment (losses) gains	(70,120)	25,112
Net realized gain on purchase of capital efficient notes	88,427	
Other income	4,582	1,639
Total revenues	1,022,466	1,073,514
Expenses		
Losses and loss expenses and life policy benefits	518,899	589,668
Acquisition costs	199,968	204,238
Other operating expenses	83,594	92,280
Interest expense	9,146	11,896
Net foreign exchange losses	3,349	4,798
Total expenses	814,956	902,880
Income before taxes and interest in (losses) earnings of equity investments	207,510	170,634
Income tax expense	59,812	42,726
Interest in (losses) earnings of equity investments	(6,177)	1,112
Net income	141,521	129,020
Preferred dividends	8,631	8,631
Net income available to common shareholders	\$ 132,890	\$ 120,389
Comprehensive income		
Net income	\$ 141,521	\$ 129,020
Change in net unrealized gains or losses on investments, net of tax	1,138	8,574
Change in currency translation adjustment	(31,200)	53,006
Change in unfunded pension obligation, net of tax	1,186	(403)
Comprehensive income	\$ 112,645	\$ 190,197
Per share data		
Net income per common share:		
Basic net income	\$ 2.35	\$ 2.22
Diluted net income	\$ 2.32	\$ 2.16
Weighted average number of common shares outstanding	56,511,201	54,248,290
Weighted average number of common and common share equivalents outstanding	57,320,296	55,711,154

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Dividends declared per common share	\$	0.47	\$	0.46
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See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents**PartnerRe Ltd.****Unaudited Condensed Consolidated Statements of Shareholders' Equity**

(Expressed in thousands of U.S. dollars)

	For the three months ended March 31, 2009	For the three months ended March 31, 2008
Common shares		
Balance at beginning of period	\$ 57,749	\$ 57,380
Issue of common shares	125	201
Balance at end of period	57,874	57,581
Preferred shares		
Balance at beginning and end of period	20,800	20,800
Additional paid-in capital		
Balance at beginning of period	1,465,688	1,441,598
Issue of common shares	5,374	9,200
Balance at end of period	1,471,062	1,450,798
Accumulated other comprehensive (loss) income		
Balance at beginning of period	22,808	289,250
Change in net unrealized gains or losses on investments, net of tax	1,138	8,574
Change in currency translation adjustment	(31,200)	53,006
Change in unfunded pension obligation, net of tax	1,186	(403)
Impact of adopting SFAS 159		(105,961)
Balance at end of period	(6,068)	244,466
Retained earnings		
Balance at beginning of period	2,729,662	2,753,784
Net income	141,521	129,020
Dividends on common shares	(26,554)	(24,920)
Dividends on preferred shares	(8,631)	(8,631)
Impact of adopting SFAS 159		105,961
Balance at end of period	2,835,998	2,955,214
Common shares held in treasury		
Balance at beginning of period	(97,599)	(241,255)
Repurchase of common shares		(15,000)
Balance at end of period	(97,599)	(256,255)
Total shareholders' equity	\$ 4,282,067	\$ 4,472,604

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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PartnerRe Ltd.

Unaudited Condensed Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	For the three months ended March 31, 2009	For the three months ended March 31, 2008
Cash Flows from Operating Activities		
Net income		