

PARTNERRE LTD
Form 10-Q
May 09, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007

OR

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

For the transition period from _____ to _____.

Commission file number 1-14536

PartnerRe Ltd.

(Exact name of Registrant as specified in its charter)

Bermuda
(State of incorporation)

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

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

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(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 the filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
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 as of May 1, 2007 was 56,809,447.

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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 as of March 31, 2007, and the related condensed consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the three-month periods ended March 31, 2007 and 2006. 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 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, 2006 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 March 1, 2007, 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, 2006 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 9, 2007

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

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

	March 31, 2007	December 31, 2006
Assets		
Investments:		
Fixed maturities, available for sale, at fair value (amortized cost: 2007, \$8,126,763; 2006, \$7,852,798)	\$ 8,117,001	\$ 7,835,680
Short-term investments, available for sale, at fair value (amortized cost: 2007, \$81,548; 2006, \$133,872)	81,469	133,751
Equities, available for sale, at fair value (cost: 2007, \$1,245,556; 2006, \$920,913)	1,340,205	1,015,144
Trading securities, at fair value (cost: 2007, \$190,145; 2006, \$578,445)	196,564	599,972
Other invested assets	125,162	105,390
Total investments	9,860,401	9,689,937
Cash and cash equivalents, at fair value, which approximates amortized cost	1,099,323	988,788
Accrued investment income	169,387	157,923
Reinsurance balances receivable	1,995,587	1,573,566
Reinsurance recoverable on paid and unpaid losses	175,999	168,840
Funds held by reinsured companies	981,927	1,002,402
Deferred acquisition costs	617,710	542,698
Deposit assets	337,986	306,212
Net tax assets	8,419	17,826
Goodwill	429,519	429,519
Other assets	69,286	70,514
Total assets	\$ 15,745,544	\$ 14,948,225
Liabilities		
Unpaid losses and loss expenses	\$ 6,926,221	\$ 6,870,785
Policy benefits for life and annuity contracts	1,500,249	1,430,691
Unearned premiums	1,675,348	1,215,624
Reinsurance balances payable	122,808	115,897
Ceded premiums payable	23,309	17,213
Funds held under reinsurance treaties	21,427	21,257
Deposit liabilities	386,125	350,763
Net payable for securities purchased	126,778	90,331
Accounts payable, accrued expenses and other	178,730	172,212
Long-term debt	620,000	620,000
Debt related to capital efficient notes	257,605	257,605
Total liabilities	11,838,600	11,162,378
Shareholders Equity		
Common shares (par value \$1.00, issued and outstanding: 2007, 56,704,414; 2006, 57,076,312)	56,704	57,076
Series C cumulative preferred shares (par value \$1.00, issued and outstanding: 2007 and 2006, 11,600,000; aggregate liquidation preference: 2007 and 2006, \$290,000,000)	11,600	11,600
Series D cumulative preferred shares (par value \$1.00, issued and outstanding: 2007 and 2006, 9,200,000; aggregate liquidation preference: 2007 and 2006, \$230,000,000)	9,200	9,200
Additional paid-in capital	1,392,449	1,413,977
Accumulated other comprehensive income:		
Net unrealized gains on investments (net of tax of: 2007, \$16,581; 2006, \$15,429)	63,674	56,913

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Currency translation adjustment	77,636	68,734
Unfunded pension obligation (net of tax of: 2007, \$2,128; 2006, \$2,122)	(7,296)	(7,277)
Retained earnings	2,302,977	2,175,624
Total shareholders equity	3,906,944	3,785,847
Total liabilities and shareholders equity	\$ 15,745,544	\$ 14,948,225

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, 2007	For the three months ended March 31, 2006
Revenues		
Gross premiums written	\$ 1,301,763	\$ 1,372,846
Net premiums written	\$ 1,270,573	\$ 1,344,604
Increase in unearned premiums	(428,531)	(511,783)
Net premiums earned	842,042	832,821
Net investment income	119,017	99,952
Net realized investment gains	768	55,098
Other income	517	7,756
Total revenues	962,344	995,627
Expenses		
Losses and loss expenses and life policy benefits	478,734	498,817
Acquisition costs	200,724	199,257
Other operating expenses	78,985	74,430
Interest expense	13,510	12,721
Net foreign exchange losses	4,246	3,348
Total expenses	776,199	788,573
Income before taxes and interest in earnings of equity investments	186,145	207,054
Income tax expense	19,904	16,130
Interest in earnings of equity investments	3,025	2,319
Net income	\$ 169,266	\$ 193,243
Preferred dividends	8,631	8,631
Net income available to common shareholders	\$ 160,635	\$ 184,612
Comprehensive income, net of tax		
Net income	\$ 169,266	\$ 193,243
Change in net unrealized gains or losses on investments	6,761	(92,050)
Change in currency translation adjustment	8,902	9,725
Change in unfunded pension obligation, net of tax	(19)	
Comprehensive income	\$ 184,910	\$ 110,918
Per share data		
Net income per common share:		
Basic net income	\$ 2.82	\$ 3.25
Diluted net income	\$ 2.76	\$ 3.21
Weighted average number of common shares outstanding	56,960,339	56,733,528
Weighted average number of common and common share equivalents outstanding	58,200,209	57,600,987
Dividends declared per common share	\$ 0.43	\$ 0.40

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)

	Common shares	Preferred shares	Additional paid-in capital	Net unrealized gains on investments, net of tax	Currency translation adjustment	Unfunded pension obligation, net of tax	Retained earnings	Total shareholders' equity
Balance at December 31, 2006	\$ 57,076	\$ 20,800	\$ 1,413,977	\$ 56,913	\$ 68,734	\$ (7,277)	\$ 2,175,624	\$ 3,785,847
Issue of common shares	115		11,769					11,884
Repurchase of common shares	(487)		(33,297)					(33,784)
Impact of adopting FIN 48							(8,721)	(8,721)
Net unrealized gains on investments, net of tax				6,761				6,761
Currency translation adjustment					8,902			8,902
Unfunded pension obligation, net of tax						(19)		(19)
Net income							169,266	169,266
Dividends on common shares							(24,561)	(24,561)
Dividends on preferred shares							(8,631)	(8,631)
Balance at March 31, 2007	\$ 56,704	\$ 20,800	\$ 1,392,449	\$ 63,674	\$ 77,636	\$		