

PARTNERRE LTD
Form 8-K
February 11, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): February 6, 2013

PartnerRe Ltd.

(Exact Name of Registrant as Specified in Charter)

Bermuda

(State or Other Jurisdiction of Incorporation)

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001-14536
(Commission

Not Applicable
(IRS Employer

File Number)

Identification No.)

Wellesley House, 90 Pitts Bay Road,

Pembroke, Bermuda
(Address of Principal Executive Offices)

HM 08
(Zip Code)

Registrant's telephone number, including area code: (441) 292-0888

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

On February 6, 2013, PartnerRe Ltd. (the Company) announced its fourth quarter and full year 2012 results. The Company reported net income of \$111.5 million, or \$1.56 per share for the fourth quarter of 2012. This net income includes net after-tax realized and unrealized losses on investments of \$7.4 million, or \$0.12 per share. Net loss for the fourth quarter of 2011 was \$17.6 million, or \$0.49 per share, including net after-tax realized and unrealized gains on investments of \$56.4 million, or \$0.85 per share. The Company recorded operating earnings of \$95.7 million, or \$1.55 per share, for the fourth quarter of 2012. This compares to an operating loss of \$137.7 million, or \$2.06 per share, for the fourth quarter of 2011.

Net income for the full year 2012 was \$1,134.5 million, or \$16.87 per share. This net income includes net after-tax realized and unrealized gains on investments of \$392.0 million, or \$6.17 per share. Net loss for the full year 2011 was \$520.3 million, or \$8.40 per share, including net after-tax realized and unrealized gains on investments of \$15.1 million, or \$0.23 per share. Operating earnings for the full year 2012 were \$663.8 million, or \$10.43 per share. This compares to an operating loss of \$641.6 million, or \$9.50 per share, for the full year 2011.

Operating earnings or loss excludes net after-tax realized and unrealized investment gains and losses, net after-tax foreign exchange gains and losses, and certain net after-tax interest in results of equity investments, and is calculated after the payment of preferred dividends. All references to per share amounts in the text of this press release are on a fully diluted basis.

Highlights for the fourth quarter and full year 2012 compared to the same periods in 2011 include:

Results of operations:

For the fourth quarter, net premiums written of \$920 million were up 5%, or up 7% on a constant foreign exchange basis, primarily related to positive prior year premium adjustments and new business in the North America sub-segment. This increase was partially offset by lower premiums reported in the Global (Non-U.S.) Specialty and the Global (Non-U.S.) P&C sub-segments. For the full year 2012, net premiums written were up 2%, or up 4% on a constant foreign exchange basis. The increase was driven by all Non-life sub-segments, except the Catastrophe sub-segment, and the Life segment primarily due to new business. These increases were partially offset by lower premiums in the Catastrophe sub-segment following the rebalancing of the portfolio during 2011 and early 2012.

For the fourth quarter, net premiums earned of \$1.2 billion were down 1%, or up 1% on a constant foreign exchange basis. Net premiums earned increased primarily in the North America sub-segment and the Life segment due to the same reasons discussed above for net premiums written. These increases were partially offset by decreases in the Catastrophe sub-segment due to the reduced level of net premiums written. For the full year 2012, net premiums earned were down 3%, or 1% on a constant foreign exchange basis, primarily due to the impact of cancelled and non-renewed business in prior periods in the Catastrophe and Global (Non-U.S.) P&C sub-segments. These decreases were partially offset by new business in the North America sub-segment.

For the fourth quarter, the Non-life combined ratio was 95.3% and included 23.7 points (or \$225 million) of losses, net of retrocession and reinstatement premiums, related to Superstorm Sandy and 16.7 points (or \$161 million) of net favorable loss development on prior accident years. For the full year 2012, the Non-life combined ratio was 87.8% and included 8.6 points (or \$316 million) of losses, net of retrocession and reinstatement premiums, related to Superstorm Sandy and the U.S. drought and 17.0 points (or \$628 million) of net favorable loss development on prior accident years. All Non-life sub-segments experienced net favorable development on prior accident years during the fourth quarter and full year 2012, with the Global (Non-U.S.) Specialty and North America sub-segments contributing the most significantly.

For the fourth quarter and full year 2012, net investment income of \$136 million and \$571 million, respectively, were down 12% and 8%, respectively, on a constant foreign exchange basis. The decreases in net investment income primarily reflected lower reinvestment rates.

For the fourth quarter and full year 2012, pre-tax net realized and unrealized investment gains were \$5 million and \$494 million, respectively.

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For the fourth quarter, the effective tax rate on operating earnings and non-operating earnings was 16% and 79%, respectively. For the full year 2012, the effective tax rate on operating earnings and non-operating earnings was 13% and 19%, respectively.

Balance sheet and capitalization:

Total investments, cash and funds held - directly managed were \$18.0 billion at December 31, 2012, up 1% compared to December 31, 2011.

Net Non-life loss and loss expense reserves were \$10.4 billion at December 31, 2012, down 5% compared to December 31, 2011 primarily due to loss payments associated with the 2011 catastrophe events.

Net policy benefits for life and annuity contracts were \$1.8 billion at December 31, 2012, up 10% when compared to December 31, 2011 primarily due to the impact of the weaker U.S. dollar.

Total capital was \$7.7 billion at December 31, 2012, up 6% from \$7.3 billion at December 31, 2011. The increase was primarily driven by net income for the full year 2012, partially offset by share repurchases and common and preferred dividend payments.

During the fourth quarter of 2012, the Company repurchased approximately 2.7 million common shares at a total cost of approximately \$218 million. Since January 1, 2013, the Company has repurchased approximately 440 thousand common shares at a total cost of approximately \$37 million. At February 5, 2013, approximately 2.7 million common shares remained under the current repurchase authorization.

Total shareholders' equity was \$6.9 billion at December 31, 2012, up 7% compared to \$6.5 billion at December 31, 2011. The increase was driven by the factors described for total capital.

Book value per common share was \$100.84 on a fully diluted basis at December 31, 2012, up 19% compared to \$84.82 per diluted share at December 31, 2011. The increase was driven by the factors described for total capital and the accretive impact of share repurchases.

Segment and sub-segment highlights for the fourth quarter and full year 2012 compared to the same periods in 2011 include:

Non-life:

For the fourth quarter, the Non-life segment reported an increase of 6%, on a constant foreign exchange basis, in net premiums written compared to the fourth quarter of 2011. This increase was driven by the North America and Catastrophe sub-segments and was partially offset by decreases in net premiums written in the Global (Non-U.S.) Specialty and Global (Non-U.S.) P&C sub-segments. For the full year 2012, the Non-life segment reported an increase of 4%, on a constant foreign exchange basis, compared to 2011. The increase was driven by all Non-life sub-segments, except for the Catastrophe sub-segment.

For the fourth quarter, the North America sub-segment's net premiums written were up 26% primarily due to positive prior period premium adjustments in the agriculture and casualty lines and new business in the casualty line. This sub-segment reported a technical ratio of 102.4%, which included 23.0 points (or \$72 million) of losses related to Superstorm Sandy and the U.S. drought, which were partially offset by 16.4 points (or \$52 million) of net favorable prior year loss development. For the full year 2012, the North America sub-segment's net premiums written were up 11% primarily due to the casualty line, for the same reasons discussed in the fourth quarter, and new business in the property line. These increases were partially offset by the non-renewal in prior periods of certain motor treaties. This sub-segment reported a technical ratio of 94.1%, which included 18.6 points (or \$218 million) of net favorable prior year loss development which was partially offset by 13.4 points (or \$157 million) of losses related to Superstorm Sandy and the U.S. drought.

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For the fourth quarter, the Global (Non-U.S.) P&C sub-segment's net premiums written were down 13%, or 10% on a constant foreign exchange basis, due to the impact of cancellations and downward prior period premium adjustments in the property line of business. This sub-segment reported a technical ratio of 74.1%, which included 21.9 points (or \$40 million) of net favorable prior year loss development. For the full year 2012, the Global (Non-U.S.) P&C sub-segment's net premiums written were flat, or up 4% on a constant foreign exchange basis. The increase was primarily due to new business written in the motor line of business, which was partially offset by cancellations in the property line of business. This sub-segment reported a technical ratio of 85.9%, which included 16.9 points (or \$114 million) of net favorable prior year loss development.

For the fourth quarter, the Global (Non-U.S.) Specialty sub-segment's net premiums written were down 6%, or 4% on a constant foreign exchange basis, primarily due to lower premium estimates in the marine line and downward prior period premium adjustments in the engineering line. This sub-segment reported a technical ratio of 97.8%, which included 25.4 points (or \$86 million) of losses, net of retrocession and reinstatement premiums, related to Superstorm Sandy, which was partially offset by 13.6 points (or \$46 million) of net favorable prior year loss development. For the full year 2012, the Global (Non-U.S.) Specialty sub-segment's net premiums written were up 5%, or 8% on a constant foreign exchange basis. The increase was primarily due to new business in the marine and specialty property lines of business, partially offset by non-renewals in the energy line. This sub-segment reported a technical ratio of 83.2%, which included 18.2 points (or \$251 million) of net favorable prior year loss development, which was partially offset by 6.3 points (or \$86 million) of losses, net of retrocession and reinstatement premiums, related to Superstorm Sandy.

For the fourth quarter, which is traditionally a quiet catastrophe renewal period, the Catastrophe sub-segment's net premiums written were up \$5 million, on a constant foreign exchange basis, to \$25 million. This sub-segment reported a technical ratio of 45.4%, which included 66.9 points (or \$71 million) of losses, net of retrocession and reinstatement premiums, related to Superstorm Sandy which was partially offset by 18.5 points (or \$23 million) of net favorable prior year loss development. For the full year 2012, the Catastrophe sub-segment's net premiums written were down 19% primarily due to the non-renewal of certain business during 2011 and early 2012 and a reduction in reinstatement premiums, which were partially offset by new business. This sub-segment reported a technical ratio of 31.7%, which included 17.6 points (or \$71 million) of losses, net of retrocession and reinstatement premiums, related to Superstorm Sandy which was partially offset by 9.8 points (or \$45 million) of net favorable prior year loss development.

Life:

For the fourth quarter, the Life segment's net premiums written were up 4%, or 7% on a constant foreign exchange basis, primarily due to new business. For the full year 2012, the Life segment's net premiums written were up 2%, or 6% on a constant foreign exchange basis, primarily due to new longevity business and partially offset by lower mortality premiums.

The Life allocated underwriting result, which includes allocated investment income and operating expenses, decreased to \$5 million in the fourth quarter of 2012 compared to \$6 million in the same period of 2011. The decrease was primarily due to a modest decline in allocated investment income. The Life allocated underwriting result increased to \$48 million for the full year 2012, compared to \$39 million in the same period of 2011. The increase was primarily due to a higher level of favorable development related to the mortality portfolio and an increase in other income.

Corporate and Other:

For the fourth quarter, investment and capital markets activities contributed income of \$126 million to pre-tax net income, excluding investment income allocated to the Life segment. Of this amount, income of \$120 million was included in pre-tax operating earnings and an additional \$6 million in net realized and unrealized gains on investments and earnings from equity investee companies was included in pre-tax non-operating income. For the full year 2012, investment and capital markets activities contributed income of \$1,004 million to pre-tax net income, excluding investment income allocated to the Life segment. Of this amount, income of \$500 million was included in pre-tax operating earnings and an additional \$504 million in net realized and unrealized gains on investments and earnings from equity investee companies was included in pre-tax non-operating income.

Separately, as announced by the Company on February 4, 2013, the Board of Directors increased the annual common share dividend by 3%, marking the twentieth consecutive year that the Company has increased the common share dividend since its inception in 1993. The Board declared a quarterly dividend of \$0.64 per common share. The dividend will be payable on March 1, 2013, to common shareholders of record on February 19, 2013, with the stock trading ex-dividend commencing February 14, 2013.

Net income/loss per share is defined as net income/loss available to common shareholders divided by the weighted average number of fully diluted shares outstanding for the period. Net income/loss available to common shareholders is defined as net income/loss less preferred dividends. Operating earnings/loss is defined as net income/loss available to common shareholders excluding after-tax net realized and unrealized gains/losses on investments, after-tax net foreign exchange gains/losses and certain after-tax interest in earnings/losses of equity investments. Operating earnings/loss per share is defined as operating earnings/loss divided by the weighted average number of fully diluted shares outstanding for the period.

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The Company uses operating earnings, diluted operating earnings per share and annualized operating return on beginning diluted book value per common and common share equivalents outstanding to measure performance, as these measures focus on the

underlying fundamentals of our operations without the impact of after-tax net realized and unrealized gains/losses on investments, after-tax net foreign exchange gains/losses, and the after-tax interest in certain earnings/losses of equity investments, where the investee's operations are not insurance or reinsurance related and where the Company does not control the investee companies' activities. The Company uses technical ratio and technical result as measures of underwriting performance. The technical ratio is defined as the sum of the loss and acquisition ratios. These metrics exclude other operating expenses. The Company also uses combined ratio to measure results for the Non-life segment. The combined ratio is the sum of the technical and other operating expense ratios. The Company uses allocated underwriting result as a measure of underwriting performance for its Life operations. This metric is defined as net premiums earned, other income or loss and allocated net investment income less life policy benefits, acquisition costs and other operating expenses. The Company uses total capital, which is defined as total shareholders' equity, long-term debt, senior notes and CENs, to manage the capital structure of the Company.

Forward-looking statements contained in this Current Report on Form 8-K are based on the Company's assumptions and expectations concerning future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements are subject to significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. PartnerRe's forward-looking statements could be affected by numerous foreseeable and unforeseeable events and developments such as exposure to catastrophe, or other large property and casualty losses, credit, interest, currency and other risks associated with the Company's investment portfolio, adequacy of reserves, levels and pricing of new and renewal business achieved, changes in accounting policies, risks associated with implementing business strategies, and other factors identified in the Company's filings with the Securities and Exchange Commission. In light of the significant uncertainties inherent in the forward-looking information contained herein, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. The Company disclaims any obligation to publicly update or revise any forward-looking information or statements.

PartnerRe Ltd.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

(Unaudited)

	For the three months ended December 31,		For the year ended December 31,	
	2012	2011	2012	2011
Revenues				
Gross premiums written	\$ 931,434	\$ 897,962	\$ 4,718,235	\$ 4,633,054
Net premiums written	\$ 920,288	\$ 879,886	\$ 4,572,860	\$ 4,486,329
Decrease (increase) unearned premiums	247,852	301,515	(86,921)	161,425
Net premiums earned	1,168,140	1,181,401	4,485,939	4,647,754
Net investment income	135,669	155,540	571,338	629,148
Net realized and unrealized investment gains	5,113	74,553	493,409	66,692
Other income	3,777	3,072	11,920	7,915
Total revenues	1,312,699	1,414,566	5,562,606	5,351,509
Expenses				
Losses and loss expenses and life policy benefits	800,851	1,069,204	2,804,610	4,372,570
Acquisition costs	245,520	238,772	936,909	938,361
Other operating expenses	112,319	113,033	411,374	434,846
Interest expense	12,227	12,219	48,895	48,949
Amortization of intangible assets	5,120	8,893	31,799	36,405
Net foreign exchange losses (gains)	3,341	(14,655)	175	(34,675)
Total expenses	1,179,378	1,427,466	4,233,762	5,796,456
Income (loss) before taxes and interest in earnings (losses) of equity investments	133,321	(12,900)	1,328,844	(444,947)
Income tax expense	22,826	3,341	204,284	68,972
Interest in earnings (losses) of equity investments	1,026	(1,402)	9,954	(6,372)
Net income (loss)	\$ 111,521	\$ (17,643)	\$ 1,134,514	\$ (520,291)
Preferred dividends	\$ 15,405	\$ 15,405	\$ 61,622	\$ 47,020
Operating earnings (loss) available to common shareholders	\$ 95,671	\$ (137,688)	\$ 663,791	\$ (641,609)
Comprehensive income (loss), net of tax	\$ 104,603	\$ (22,420)	\$ 1,157,755	\$ (536,991)
Per share data:				
Earnings (loss) per common share:				
Basic operating earnings (loss)	\$ 1.58	\$ (2.06)	\$ 10.55	\$ (9.50)
Net realized and unrealized investment (losses) gains, net of tax	(0.13)	0.85	6.23	0.23
Net foreign exchange gains, net of tax	0.12	0.75	0.13	0.98

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Interest in earnings (losses) of equity investments, net of tax	0.01	(0.03)	0.14	(0.11)
Basic net income (loss)	\$ 1.58	\$ (0.49)	\$ 17.05	\$ (8.40)
Weighted average number of common shares outstanding	60,643,216	66,877,136	62,915,992	67,558,732
Diluted operating earnings (loss)	\$ 1.55	\$ (2.06)	\$ 10.43	\$ (9.50)
Net realized and unrealized investment (losses) gains, net of tax	(0.12)	0.85	6.17	0.23
Net foreign exchange gains, net of tax	0.12	0.75	0.13	0.98
Interest in earnings (losses) of equity investments, net of tax	0.01	(0.03)	0.14	(0.11)

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	For the three months ended December 31,		For the year ended December 31,	
	2012	2011	2012	2011
Diluted net income (loss)	\$ 1.56	\$ (0.49)	\$ 16.87	\$ (8.40)
Weighted average number of common shares and common share equivalents outstanding	61,627,207	66,877,136	63,615,748	67,558,732
Dividends declared per common share	\$ 0.62	\$ 0.60	\$ 2.48	\$ 2.35

PartnerRe Ltd.**Consolidated Balance Sheets**

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

(Unaudited)

	December 31,	
	2012	2011
Assets		
Investments:		
Fixed maturities, trading securities, at fair value	\$ 14,395,315	\$ 13,941,829
Short-term investments, trading securities, at fair value	150,552	42,571
Equities, trading securities, at fair value	1,094,002	944,691
Other invested assets	333,361	358,154
Total investments	15,973,230	15,287,245
Funds held - directly managed	930,741	1,268,010