

PartnerRe's Life Value In-force

PartnerRe



Life Value In-force (VIF) Cautionary Language

The information in this financial supplement is for informational purposes only and is current only as of the stated date, which is December 31, 2010. PartnerRe undertakes no obligation to and does not expect to update or revise this data, whether as a result of new information, future events or otherwise. PartnerRe assumes no obligation to update any forward looking information that may be contained in this disclosure even when such new data has been reflected in our filings with the Securities and Exchange Commission. The Life VIF calculation has not been externally reviewed and does not constitute legal, tax, accounting or other professional advice and should not be relied upon as such. Readers must keep these and the other qualifications more fully described in this report in mind when reviewing this information. This supplement should be read in conjunction with other documents filed by the Company with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K as filed on February 28, 2011.

Cautionary Statements Regarding Forward-looking Statements:

Any forward-looking statements contained in this supplement are based upon the Company's current 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 such forward-looking statements.

PartnerRe's forward-looking statements could be affected by numerous foreseeable and unforeseeable events and developments such as: the occurrence of catastrophic events with a frequency or severity exceeding our assumptions; actual losses and loss expenses exceeding our loss reserves, which are necessarily based on actuarial and statistical projections of ultimate losses; or changes in the judicial, legislative or regulatory environments in which we operate, and other factors identified in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2010, which are available on the Company's website. The foregoing review of important factors should not be construed as exhaustive. The words "believe," "anticipate," "estimate," "project," "plan," "expect," "intend," "hope," "will likely result" or "will continue" or words of similar impact generally involve forward-looking statements. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

1. Purpose and Scope	2
2. Life Value In-force	3
3. Definition of the Components	4
4. Assumptions	5
5. Sensitivities to Market Assumptions	6

1. Purpose and Scope

The purpose of the PartnerRe Life Value In-force (VIF) disclosure is to provide stakeholders with a value of the Life portfolio not recognized in the GAAP balance sheet. This disclosure, along with the published non-life discount and the published GAAP financial statements, provides stakeholders with substantially all components of our calculation of PartnerRe's economic value. We define economic value as tangible GAAP book value plus after-tax discount in the non-life reserves plus the Life VIF.

The Company intends to update the Life VIF on an annual basis.

The reader should be aware of the differences between our Life VIF calculation and a full Market Consistent Embedded Value (MCEV) calculation. PartnerRe has been calculating a Life VIF for its Life reinsurance business since 2007, and we reviewed our methodology against the European Insurance CFO Forum MCEV principles ("MCEV principles", Copyright © Stichting CFO Forum Foundation 2008) during 2009 in conjunction with external advisers. Our Life VIF calculation and disclosure differs from the MCEV principles as follows:

- (i) Our Life VIF is a component of MCEV. We do not include a Life net worth calculation because it is part of PartnerRe's total GAAP shareholder equity of \$7,207 million as of December 31, 2010.
- (ii) Disclosure content and format.
- (iii) Certain methodologies in the calculation of the VIF. The main differences are noted in the "Definitions" and "Assumptions" sections below.

2. Life Value In-force

The PartnerRe Life VIF as at December 31, 2010 is \$217 million. The value of \$217 million is the present value of future profits after tax less the cost of non-hedgeable risks, frictional cost and the time value of options and guarantees. The value is after external retrocession, which only applies to a very small part of the portfolio.

Business included in the Life VIF calculation is the business reported in the financial statements under the mortality, longevity and health contracts, written in the Company's Life operations, and had net reserves at December 31, 2010 of \$1,736 million. This business predominately includes reinsurance of longevity and mortality business. Longevity business is subdivided into standard and non-standard annuities and mortality business is subdivided into traditional death and disability covers (with various riders), term assurance and critical illness written in the U.K. and Ireland, and guaranteed minimum death benefit ("GMDB") written in Continental Europe.

Most of the Life VIF is derived from the mortality segment. The main value drivers are the current mortality experience and expected future mortality improvements, as well as current stock market levels and implied volatilities for GMDB business. The increase in Life VIF to \$217 million at December 31, 2010 from \$210 million at December 31, 2009 was primarily driven by new business in 2010, particularly Longevity. Changes in economic assumptions (e.g. yields) and foreign exchange movements had a negative impact on the Life VIF year over year.

3. Definition of the Components

The Life VIF is the sum of the following components.

3.1 Present Value of Future Profits (PVFP)

The PVFP is the net present value of shareholder's projected after-tax cash flows out of the in-force covered business on a best-estimate assumption basis. The discount rates are aligned to government bond rates. Best-estimate is defined as median on biometric assumptions and does not include any provisions for adverse deviation. The definition of in-force business at valuation date follows the MCEV principles' definition. No value is attributed to future new business. Renewal of short-term business is considered new business.

3.2 Cost of Non-hedgeable Risks

The cost of non-hedgeable risks is the allowance for the cost of holding capital for non-hedgeable financial and non-hedgeable non-financial risks, such as mortality deviation in trend or shock. The current level of capital has been determined using an internal economic capital methodology. The projection of capital into the future uses appropriate carriers for risk in line with market practice, such as sum assured at a point time or best-estimate expected claims.

PartnerRe's methodology regarding the cost of non-hedgeable risks differs from MCEV principles in three ways. First, PartnerRe allows for some diversification benefit with non-covered business whereas the MCEV principles do not allow for this benefit. Second, PartnerRe calibrates to a 99.6% VaR, corresponding to a 1 in 250 year event, whereas the MCEV principles calibrate to a 99.5% VaR, corresponding to a 1 in 200 year event. Finally, the capital attribution method allows for some U.S. GAAP reserve properties. While PartnerRe methods do not align with MCEV principles regarding non-hedgeable risks as described above, the Company believes the difference in approaches does not have a significant impact on the resulting values.

3.3 Frictional Cost

The frictional cost is calculated as the cost to the shareholder of locking in PartnerRe capital above US GAAP statutory and economic requirements, such as local regulatory reserves or deposits which cannot be easily accessed. The MCEV principles view frictional cost as the cost of the double taxation or investment management charges on assets backing required capital.

3.4 Time Value of Options and Guarantees (TVOG)

The TVOG are calculated on a market-consistent basis, using stochastic techniques. This allowance is material for the GMDB book. In the GMDB segment PartnerRe reinsures death claims on savings plans, where the sum assured is the difference between the invested premium amount and the current fund value. Depending on the saving option, the funds are largely invested in European equities, bonds and cash.

4. Assumptions

The Life VIF is calculated on a going concern basis. Business unit and overhead expenses are projected on a best-estimate basis, including expense inflation along the current implied inflation curve.

The reference rates are currency-specific market yields at given durations on zero coupon government bonds rather than swap yields as required by the MCEV principles. Reference rates are the rates gross of investment management expenses and tax, and are used for discounting – applied to projected deterministic quarterly cash flows – and for calculating risk-free investment returns. The rates are completed for all durations by interpolation and extrapolation techniques.

Effective tax rates are applied for each PartnerRe entity writing Life business.

Counterparty risk is allowed for, where applicable.

All closing balances are converted to the reporting currency (USD) at the valuation date. Calculations are undertaken in main treaty currency and converted to USD, with the foreign exchange rates used for PartnerRe balance sheet reporting.

Economic scenarios used to value GMDB TVOG were calibrated to the market conditions at the valuation date for risk-free rates, swaption prices and equity option prices. Volatilities are assumed to be constant throughout projections. This arbitrage-free calibration is provided by an external vendor.

Actuarial non-economic assumptions, such as current and future mortality, are based on the most recent experience available, combined with internal and industry benchmarks, including trend expectation where appropriate.

Bulk assumptions where needed and model point groupings are used to appropriately represent the value and risk in this business. Some assumptions are also introduced to overcome the reporting lags common to the reinsurance industry. These assumptions and simplifications imply a data and model risk.

5. Sensitivities to Market Assumptions

The Life VIF of \$217 million is sensitive to changes in financial assumptions.

A parallel shift in yield curves used for discounting of +/-100bps changes the VIF by +13%/-16% respectively. A drop in valuation date equity value of 10% or an increase in implied volatilities of +25% (i.e. a multiplier of 1.25 applied to all volatilities) does not lower the VIF by more than 10%. These sensitivities only reflect the deviation in VIF due to the change in financial assumptions, and do not include the change in market value of assets.

The shift in yield curves, equity drop or implied volatility are tested independently, e.g. a shift in yield curves does not dynamically impact the TVOG, and the increase in implied volatilities does not induce a reaction in the government bond rates used for discounting.