

## FITCH AFFIRMS PARTNERRE'S RATINGS; OUTLOOK STABLE

Fitch Ratings-New York-04 April 2012: Fitch Ratings today affirmed PartnerRe's existing ratings, including the 'A+' Issuer Default Rating (IDR) of PartnerRe and the 'AA-' Insurer Financial Strength (IFS) rating of Partner Reinsurance Company Ltd., the company's principal (re)insurance operating subsidiary. The Rating Outlook is Stable. A complete list of rating actions appears below.

The ratings affirmation follows Fitch's normal periodic review of PartnerRe's financial profile and recent performance.

The ratings affirmation reflects PartnerRe's continued strong competitive position, solid balance sheet, and good long-term track record of earnings and capital generation. The affirmation also considers Fitch's belief that the company's risk management capabilities will enable it to maintain its strong and liquid balance sheet during periods that experience heightened underwriting losses and/or capital market volatility.

Partially offsetting these favorable factors is PartnerRe's relatively higher exposure to low-frequency but high-severity events. Most recently, PartnerRe's 2011 catastrophe losses (primarily from earthquakes in Japanese and New Zealand) totaled in excess of \$1.7 billion and resulted in a \$642 million operating loss for the period. This unfavorable result contributed to a 10% decline in total equity that was among the largest observed in the universe of reinsurers rated by Fitch.

Fitch recognizes that reinsurers with catastrophe exposure will periodically suffer losses of a magnitude sufficient to significantly impact earnings and reduce capital.

Fitch further believes that PartnerRe's worse than peer underwriting performance in 2011 can be partially attributed to the fact that PartnerRe's assumed risks are geographically dispersed and losses can arise from various large international catastrophe events. Fitch notes that 2011 was the worst year in history for insured catastrophe losses outside of the U.S.

The Stable Outlook reflects Fitch's view that PartnerRe's capital strength remains supportive of its current rating category in the aftermath of the losses suffered in 2011 and that the company remains well positioned to take advantage of anticipated pricing improvement in catastrophe-exposed business lines.

Fitch also anticipates that recent steps taken by management to reduce its exposure to large catastrophe events will result in lower earnings volatility in the near to medium term.

Due to PartnerRe's high current rating category, Fitch views a near-term ratings upgrade as unlikely, in the absence of a material change in risk profile resulting in significantly lower underwriting volatility observed over an extended period.

Key ratings triggers that, if observed over the next 12 - 18 months, could result in a downgrade include a failure to return to operating profitability, investment write downs or adverse loss reserve development of a magnitude that caused Fitch to question the strength of PartnerRe's balance sheet, or if PartnerRe were to report significantly worse underwriting results and overall profitability than comparably rated peers.

Additional ratings triggers that could result in a downgrade when viewed on a run-rate or multi-year rolling average basis include:

- Failure to report calendar year combined ratios in the mid 90%'s;
- Operating-earnings-based interest and interest and preferred dividend coverage ratios that fall below approximately 10 times (x) and 6x, respectively;

--Barring a significant shift in business mix toward less volatile lines, an increase in net written premium to GAAP equity ratios to levels that exceed 1.0x.

Fitch has affirmed the following ratings with a Stable Outlook:

Partner Reinsurance Ltd.

--IFS at 'AA-'.

PartnerRe Ltd.

--IDR at 'A+';

--\$290 million 6.75% series C cumulative redeemable perpetual preferred securities at 'BBB+';

--\$230 million 6.5% series D cumulative redeemable perpetual preferred securities at 'BBB+';

--\$374 million 7.25% series E cumulative redeemable perpetual preferred securities at 'BBB+';

--\$63 million junior subordinated notes due Dec. 1, 2066 at 'BBB+';

--\$250 million 6.875% senior unsecured notes due June 1, 2018 at 'A';

--\$500 million 5.5% senior unsecured notes due June 1, 2020 at 'A'.

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Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

--'Insurance Rating Methodology' (Sept. 22, 2011).

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Insurance Rating Methodology

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