



Partner Reinsurance Life Company of Bermuda Ltd.

Financial Condition Report

December 31, 2018

TABLE OF CONTENTS

1. Summary	3
2. Business and Performance	4
2.1 Business	4
2.2 Performance	5
2.2.1 Net Underwriting Result	5
2.2.2 Investment Result	5
2.2.3 Other Income and Expenses	6
3. Governance Structure	7
3.1 Board and Senior Executive	7
3.1.1 Corporate Governance Framework	7
3.1.2 Remuneration Policy	10
3.1.3 Pension or Early Retirement Schemes	10
3.1.4 Agreements with Related Parties	10
3.2 Fitness and Propriety Requirements	11
3.2.1 Fit and Proper Process in Assessing the Board and Senior Executive	11
3.2.2 Professional Qualifications, Skills and Expertise of the Board and Senior Executives	12
3.3 Risk Management and Solvency Assessment	14
3.3.1 Risk Management Processes and Procedures	14
3.3.2 Implementation of Risk Management and Solvency Self-Assessment Systems	14
3.3.2.1 Enterprise Risk Management Framework	14
3.3.2.2 Solvency Self Assessment	15
3.3.3 Relationship Between Solvency Needs and Capital and Risk Management Systems	15
3.3.4 Solvency Self Assessment Approval Process	15
3.4 Internal Controls	16
3.4.1 Internal Control System	16
3.4.2 Compliance Function	17
3.5 Group Internal Audit	18
3.6 Capital & Risk and Actuarial Function	18
3.7 Outsourcing	19
3.7.1 Outsourcing Policy	19
3.7.2 Material Intra-Group Outsourcing	19
3.8 Any Other Material Information	20

TABLE OF CONTENTS
(continued)

4. Risk Profile	20
4.1 Material Risks	20
4.2 Risk Mitigation	20
4.3 Material Risk Concentrations	20
4.4 Investment Philosophy	21
4.5 Stress Testing of Material Risks	21
4.6 Any Other Material Information	21
5. Solvency Valuation	21
5.1 Valuation of Assets	21
5.2 Valuation of Technical Provisions	22
5.3 Recoverables from Reinsurance Contracts	22
5.4 Valuation of Other Liabilities	22
5.5 Any Other Material Information	23
6. Capital Management	23
6.1 Eligible Capital	23
6.1.1 Capital Management Process	23
6.1.2 Eligible Capital by Tier	23
6.1.3 Eligible Capital Applied to ECR and MSM	24
6.1.4 Transitional Arrangements	24
6.1.5 Encumbrances on Capital	24
6.1.6 Ancillary Capital	24
6.1.7 Reconciliation of Shareholder's Equity to Available Capital and Surplus	24
6.2 Regulatory Capital Requirements	25
6.3 Approved Internal Capital Model	25
6.4 Any Other Material Information	25
7. Subsequent Events	26
8. Declarations	27
Appendix I - PartnerRe Group Structure	28
Appendix II - Contact Details	29

1. SUMMARY

Partner Reinsurance Life Company of Bermuda Ltd. (the Company) is an exempt company incorporated under the laws of Bermuda with limited liability and is a wholly-owned and direct subsidiary of Partner Reinsurance Company Ltd. (the Parent or PartnerRe Bermuda). The Parent is a wholly-owned and direct subsidiary of PartnerRe Ltd. (PartnerRe or the Group), an international reinsurance group, and the ultimate parent company is EXOR N.V. (EXOR), a Dutch public limited liability company which is listed on the Milan stock exchange. The Company's principal office is located at Wellesley House South, 90 Pitt's Bay Road, Pembroke HM08, Bermuda (telephone number: +1 441-292-0888).

This Financial Condition Report (FCR) is prepared pursuant to the Insurance (Public Disclosure) Rules 2015 (the Rules). The Rules specify the requirement for commercial insurers to prepare an FCR and requires that it be made publicly available on the insurer concerned's website. This FCR provides a discussion on the Company's Business and Performance (section 2) Governance Structure (section 3), Risk Profile (section 4), Solvency Valuation (section 5), Capital Management (section 6) and Subsequent Events (section 7).

PartnerRe is a leading global reinsurance group, with a broadly diversified and balanced portfolio of traditional reinsurance and capital markets risks. PartnerRe Bermuda is one of four main operating companies world-wide within the PartnerRe group which also includes Partner Reinsurance Europe SE (PartnerRe Europe), Partner Reinsurance Company of the U.S. (PartnerRe U.S.) and Partner Reinsurance Asia Pte. Ltd. (PartnerRe Asia). The Group is organized into business units that may be comprised of business from one or more operating companies. PartnerRe's long-term objective is to manage a portfolio of diversified risks that will create shareholder value. The Group's profitability in any particular period can be significantly affected by large catastrophic or other large losses and the impact of changes in interest rates on the fair value of investments. Accordingly, the Company's performance during any particular period is not necessarily indicative of its performance over the longer-term reinsurance cycle.

Unless otherwise specified, all figures provided in this report are in the Canadian dollar functional currency of the Company.

The Company's net income on a U.S. GAAP basis for the years ended December 31, 2018 and 2017 was \$28 million and \$30 million, respectively. See section 2 for a discussion of the Company's performance during the year.

The Company uses the standard Bermuda Solvency Capital Requirement (BSCR) model to assess the Enhanced Capital Requirement (ECR) or required statutory capital and surplus. The Available Statutory Economic Capital and Surplus, ECR and BSCR Ratio at December 31, 2018 and 2017⁽¹⁾ (in thousands of Canadian dollars, except percentages) were as follows:

	2018	2017 ⁽¹⁾
Available Economic Statutory Capital and Surplus	765,892	185,681
ECR	166,007	20,243
BSCR Ratio	461%	917%

The Company's eligible capital by tier at December 31, 2018 and 2017 was as follows (in thousands of Canadian dollars):

	2018	2017 ⁽¹⁾
Tier 1	\$ 765,892	185,681
Tier 2	—	—
Tier 3	—	—
Total	\$ 765,892	\$ 185,681

1. The Company merged with ARL, a subsidiary of the Parent in November 2018. In accordance with section 1.18 of the Bermuda Monetary Authority's guidance note for Commercial Insurers and Insurance Groups' Statutory Reporting Regime, the results of ARL have been included in the statutory

PARTNER REINSURANCE LIFE COMPANY OF BERMUDA LTD.
FINANCIAL CONDITION REPORT DECEMBER 31, 2018

financial statements for the year ended December 31, 2018. The 2017 comparatives in the statutory financial statements and EBS have not been restated (see section 5).

This report is primarily based on the Company's Economic Balance Sheet (EBS) as at December 31, 2018 and 2017. In addition, certain sections include information based on the Company's December 31, 2018 Condensed General Purpose Financial Statements which have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

2. BUSINESS AND PERFORMANCE

2.1 BUSINESS

The Company was incorporated on April 3, 2014 under the laws of Bermuda and is registered under the Bermuda Insurance Act 1978 and Related Regulations, as amended, as a Class C insurer. The Company is licensed to write Life business and has exposure to Life risks through a 75% quota-share treaty with the Canadian Life branch of its parent. The Company also assumes primarily individual life reinsurance risk via a 90% quota-share with PartnerRe Life Reinsurance Company of Canada, an affiliated company, and a contract with a non-affiliated life reinsurance company in the United States.

Effective July 1, 2014, the Parent entered into an Assumption Reinsurance Agreement with the Canadian Life branch of PartnerRe Europe. Under this agreement, the Canadian Life branch of PartnerRe Europe transferred all assets and liabilities related to its reinsurance business to the Parent's Canadian Life branch. In addition, effective July 1, 2014, under a Business Transfer Agreement, the Canadian Life branch of PartnerRe Europe transferred all other remaining business assets and liabilities to the Parent's Canadian Life branch. The Company assumes a portion of this business through its 75% quota share with its parent.

On April 3, 2017, after receiving regulatory approvals, PartnerRe Ltd. completed the acquisition of 100% of the issued and outstanding ordinary shares of Aurigen Capital Limited (Aurigen Capital), a North American life reinsurance group. This acquisition enabled PartnerRe to expand its life reinsurance footprint in Canada and the U.S. with limited overlap in market coverage.

On April 13, 2018, Aurigen Capital merged into PartnerRe, with PartnerRe being the sole survivor. Upon effecting this merger, Aurigen Reinsurance Limited (ARL) became a direct wholly-owned subsidiary of PartnerRe. On November 26 2018, PartnerRe's share interest in ARL was transferred to the Parent.

On November 26, 2018, ARL merged into the Company, with the Company being the sole survivor. The results of operations for the Company include the results of ARL as of the beginning of the period. Prior to the merger described above, ARL novated a portion of its U.S. life business (see section 2.2 and 5).

The Bermuda Monetary Authority (BMA) has chosen the Parent as the designated insurer for the purposes of Group Supervision, and the BMA acts as Group supervisor of PartnerRe and its subsidiaries. As Group Supervisor, the BMA is tasked with assessing the financial condition of the Group and coordinates the dissemination of information to other relevant competent authorities for the purpose of assisting in their regulatory functions and the enforcement of regulatory action against PartnerRe or any of its subsidiaries, including the power to impose restrictions on the ability of the relevant subsidiaries to declare dividends to PartnerRe. In addition, the Company is required to maintain the ECR imposed by the BMA under Bermuda law.

Please refer to Appendix I for a detailed Group structure chart and Appendix II for the contact details of the Group Supervisor and the Company's approved auditor.

2.2 PERFORMANCE

The tables and financial information in this section are based on the Company's December 31, 2018 Condensed General Purpose Financial Statements prepared using U.S. GAAP.

As described above, the Company merged with ARL, a subsidiary of the Parent in November 2018, with the Company being the surviving company. The results of operations for the Company for the year ended December 31, 2018 include the results of ARL as of the beginning of the period in accordance with the Financial Accounting Standards Board (FASB) guidance ASC 805-50 on mergers of entities under common control. In addition, the comparative U.S. GAAP financial information presented for the Company for prior year has been retrospectively adjusted from April 3, 2017, the date at which the entities first came under common control.

On October 23, 2018, prior to the merger with the Company, ARL novated a portion of its U.S. life business to a Bermuda affiliated reinsurer, PRE Life Bermuda Re Ltd., which is a licensed Class C insurer under the Insurance Act. This novation resulted in ARL being released from all further obligations related to the business previously reinsured resulting in a reduction in reserve and claim related liabilities of approximately \$2 million. The Company also received a ceding commission of \$16.3 million related to this novated business which has been recognised in the Condensed Statement of Income for the year ended December 31, 2018 as part of Other income. In addition to these agreed commutation amounts, the Company recorded a reduction in intangible assets of \$6.2 million for the VOBA related to this novated business. An offsetting amount is included in the combined other insurance income (Line 6) in the Condensed Statement of Income.

2.2.1 NET UNDERWRITING RESULT

Net Underwriting Result

Net underwriting result should not be considered a substitute for net income or loss and does not reflect the overall profitability of the business, which is also impacted by investment results and other items (see sections 2.2.3.).

The Company's net underwriting result for the years ended December 31, 2018 and 2017 was as follows (in thousands of Canadian dollars):

	2018	2017
Long-term business income	\$ 133,701	\$ 131,503
Long-term business expenses	(101,415)	(132,477)
Net underwriting profit (loss)	\$ 32,286	\$ (974)

The increase in net underwriting result increased in 2018 compared to 2017, was primarily driven by a decrease in life policy reserves and the ceding commission received on novation of a portion of the Company's U.S. business (see section 2.2.). These increases were partially offset by lower premium income and the write-off of VOBA related to the novated business.

2.2.2 INVESTMENT RESULT

Net Investment Income

Net investment income includes interest, dividends and amortization, net of investment expenses, generated by the Company's investment activities, as well as interest income generated on funds held assets. Net investment income by asset source for the years ended December 31, 2018 and 2017 was as follows (in thousands of Canadian dollars):

	2018	2017
Fixed maturities	\$ 22,701	\$ 17,902
Short-term investments, cash and cash equivalents	235	103
Funds held and other	153	134
Investment expenses	(1,101)	(1,004)
Net investment income	\$ 21,835	\$ 17,135

Net investment income increased in 2018 compared to 2017 primarily due to the inclusion of investment income from ARL for a full year in 2018 compared to three quarters in 2017 and higher reinvestment rates.

Net Realized and Unrealized Investment Gain (Losses)

The components of net realized and unrealized investment (losses) gains for the years ended December 31, 2018 and 2017 were as follows (in thousands of Canadian dollars):

	2018	2017
Net realized investment (losses) gains on fixed maturities	\$ (6,045)	\$ 6,455
Change in net unrealized investment (losses) gains on fixed maturities	(6,599)	13,804
Total net realized and unrealized investment (losses) gains	\$ (12,644)	\$ 20,259

2.2.3 OTHER INCOME AND EXPENSES

The components of net income for the years ended December 31, 2018 and 2017 were as follows (in thousands of Canadian dollars):

	2018	2017
Net underwriting result:		
Life and Health	\$ 32,286	\$ (974)
Investment result:		
Net investment income	21,835	17,135
Net realized and unrealized investment (losses) gains	(12,644)	20,259
Other components of net income		
Other expenses	(425)	(457)
Interest expense	—	(3,111)
Amortization of intangible assets	(9,402)	(2,643)
Net foreign exchange (losses) gains	(3,221)	27
Net income	\$ 28,429	\$ 30,236

The decrease in net income in 2018 compared to 2017 was primarily due to the change from net realized and unrealized investment gains in 2017 to losses in 2018 which was partially offset by the higher net underwriting result.

3. GOVERNANCE STRUCTURE

3.1 BOARD AND SENIOR EXECUTIVE

Directors

The directors of the Company oversee the management of the Company's business and affairs and are responsible for the corporate governance framework. The directors are elected annually at the Company's annual general meeting and as at December 31, 2018, consisted of the following persons, each of whom is either a senior executive of the Company or PartnerRe:

1. Mario Bonaccorso;
2. Jose Lopez;
3. Ryan Lipschutz; and
4. Lee Iannarone.

Senior Executives

The Company's senior executives are responsible for the development and execution of the Company's internal controls, budgets, strategic plans and objectives. As at December 31, 2018, the senior executives consisted of the following persons:

1. Wanda Mwaura - Principal Representative
2. Nicholas Hughes - Chief Underwriting Officer (appointed Co-Chief Underwriting Officer effective 26 April 2019)
3. Joseph Hooks - Deputy Chief Underwriting Officer (appointed Co-Chief Underwriting Officer effective 26 April 2019)
4. Romain Bridet - Chief Actuarial Officer
5. Peter Antal - Chief Risk Officer
6. Jose Lopez - Chief Financial Officer
7. Ryan Lipschutz - Treasurer
8. Lee Iannarone - General Counsel & Secretary (ceased to be Secretary effect 26 April 2019)
9. Seth Darrell - Associate General Counsel & Secretary (appointed effective 26 April 2019)

3.1.1 CORPORATE GOVERNANCE FRAMEWORK

As at year end 2018 PartnerRe, the parent of the Company, is a Bermuda domiciled company with a listing of its non-voting preferred shares listed on the New York Stock Exchange (the "NYSE"). It is a registrant with the Securities and Exchange Commission (the "SEC") and is deemed to be a "foreign private issuer" by the SEC. PartnerRe is therefore subject to certain of the requirements of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and related rules enacted by the SEC.

The quarterly reports on Form 6-K and the Annual Report on Form 20-F filed by PartnerRe with the SEC include the consolidated results of PartnerRe and its subsidiaries and affiliates. The governance requirements established by Sarbanes-Oxley for the purpose of ensuring appropriate control, oversight and disclosure of matters of interest to all stakeholders are very much aligned with the Insurance Code of Conduct adopted by the BMA. The Company, as a registered reinsurer under the laws of Bermuda, is regulated by the BMA and subject to the applicable laws and regulations of Bermuda.

In considering the appropriate level of oversight for the Company we have looked at the overall governance structure of the Group. The Board of Directors of the Company (the Board) has established a comprehensive corporate governance framework which upholds the governance framework established at the Group level in order to ensure consistency of standards. The Company's corporate governance framework includes the following:

- the Company's Bye-Laws;
- PartnerRe's Code of Business Conduct and Ethics;
- PartnerRe's Enterprise Risk Management framework;
- PartnerRe's Group Subsidiary Corporate Governance Principles;
- Company's Audit Committee Charter; and
- Company's Risk Committee Charter.

Code of Business Conduct and Ethics

The Company has adopted PartnerRe's Code of Business Conduct and Ethics, which applies to all directors, officers and employees of the Company. Any specific waiver of its provisions requires the approval of the Audit Committee of PartnerRe. Any reported violation to the Code of Business Conduct and Ethics will be investigated and may result in disciplinary action, as appropriate. The outcome of any investigation is shared with the Audit Committee of PartnerRe and the Audit Committee of the Company as relevant and appropriate

Meetings and Committee of the Board

The Board has established two standing committees: an Audit Committee and a Risk Committee. Each committee has a charter that, among other things, reflects current best practices in corporate governance. Below is a brief description of the role of each committee.

Audit Committee

Pursuant to its charter, the Audit Committee's primary responsibilities are to assist Board oversight of:

- the Company's annual and periodic statutory filings and general purpose financial statements;
- the effectiveness of internal control and risk management processes and compliance on regulatory and legal matters;
- the independent auditor's qualifications and independence; and
- the performance of PartnerRe's internal audit function and independent auditors.

The Audit Committee regularly meets with management, internal audit and the Company's independent registered public accounting firm to review matters relating to the quality of financial reporting and internal accounting controls, including the nature, extent and results of their audits.

Risk Committee

Under the terms of its charter, the Risk Committee oversees the Company's risk management framework policies and practices as well as its capital management policies and processes. The Risk Committee has oversight responsibility for the Company's policies and activities related to:

- overall management of PRE Life Bermuda's risks pursuant to the business strategy and risk guidelines established by the Board;
- capital management including issuance and retirement of capital, declaration of dividends and internal capital movements; and
- oversight of the risk management function.

The Risk Committee regularly meets with management and with the Company's Chief Risk Officer to monitor and review the Company's risk management activities in light of the strategies approved by the Board.

The Board's Role in Risk Oversight

PartnerRe through its subsidiaries provides reinsurance and certain specialty insurance lines on a worldwide basis. Risks reinsured include, but are not limited to, property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering, energy, marine, specialty property, specialty casualty, multiline and other lines, mortality, longevity, accident and health and alternative risk products. The Group's alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis. The Company is licensed to write Life business and has exposure to Life risks through a 75% Quota-Share Treaty with the Canadian branch of its parent. The Company will also eventually provide PartnerRe with a legal entity to aggregate life reinsurance risks written in a variety of jurisdictions worldwide.

PartnerRe has a risk management framework that operates across the entire group. The framework is approved and monitored by the PartnerRe Board. The framework recognizes the needs and requirements of each operating entity within the group and the Chief Risk Officer of the Company has a dual reporting role, both to the Risk Committee of the Company and the centralized risk function at the Group level. The Company's Chief Risk Officer is responsible for ensuring appropriate risk monitoring and to discuss the Company's risk management framework and risk inventory.

As described above, PartnerRe has an enterprise risk management framework which looks across the Group. The Company's Risk Committee will link to PartnerRe's Group Enterprise Risk Committee to ensure consistency of practice and due consideration of operating entities within the Group. This linkage is established by having members of the Company's Risk Committee serving as members of PartnerRe's Group Enterprise Risk Committee. In addition, the Board has access to the reports prepared by the Capital and Risk function for the PartnerRe Board.

PartnerRe's Board sets both the risk appetite and return goals for the Group and the PartnerRe Board is responsible for setting the strategies and policies that both support execution of the Group strategy and are in the best interest of the Company. The Board remains responsible for oversight of the risk management and internal controls framework of the Company and, under the PartnerRe delegation of authority policy, manages and executes the day-to-day operations of the Company.

The Company utilizes the resources of the Group's internal audit function to ensure an independent review of the Company's internal control framework and risk management practices. The Audit Committee of the Company has access to internal audit activities, reports and findings and to all relevant reports for the Audit Committee of PartnerRe's Board. The Board has adopted an internal audit charter acknowledging that the internal audit function draws its authority from PartnerRe's Board. The Audit Committee of the Company reviews the annual Internal Audit Plan and has input to the Internal Audit planning process to ensure that specific Company needs can be addressed in the context of the Group internal audit plan.

3.1.2 REMUNERATION POLICY

Director Compensation

The directors of the Company do not receive compensation for their services as a director of the Company.

Employee Compensation

All Bermuda employment service contracts are with the Company's parent, PartnerRe Reinsurance Company Ltd., PartnerRe and other subsidiaries of PartnerRe.

3.1.3 PENSION OR EARLY RETIREMENT SCHEMES

N/A

3.1.4 AGREEMENTS WITH RELATED PARTIES

Reinsurance Agreements

Effective July 1, 2014, the Parent entered into an Assumption Reinsurance Agreement with the Canadian Life branch of Partner Reinsurance Europe SE (PartnerRe Europe). Under this agreement, the Canadian Life branch of PartnerRe Europe transferred all assets and liabilities related to its reinsurance business to the Parent's Canadian Life branch. In addition, effective July 1, 2014, under a Business Transfer Agreement, the Canadian Life branch of PartnerRe Europe transferred all other remaining business assets and liabilities to the Parent's Canadian Life branch. The Company assumes a portion of this business, and the related deferred gain, through the 75% quota share with the Parent. The Company has recorded a deferred gain of \$61.0 million and \$65.0 million, at December 31, 2018 and 2017, respectively, in its Condensed General Purpose Financial Statements related to this business.

The Company also assumes primarily individual life reinsurance risk via a 90% quota-share with PartnerRe Life Reinsurance Company of Canada, an affiliated company, and a contract with a non-affiliated life reinsurance company in the United States.

Loan Agreements

On April 27, 2017, ARL received a loan from PartnerRe of \$270.6 million to repay the Valins I Limited (Valins) Noteholder long-term operational debt in full. Valins was a special purpose vehicle which provided reinsurance coverage to ARL. On April 28, 2017 Valins became inactive and its reinsurance coverage was recaptured by ARL. At December 31, 2018 and 2017, the amount due to PartnerRe related to this loan was \$270.6 million. The loan is non-interest bearing and repayable on or before April 28, 2022.

On June 14, 2017, ARL entered into a Revolving Credit Agreement with PartnerRe to borrow up to an aggregated principal amount not exceeding U.S. dollars one hundred million for general business use with a termination date of June 30, 2022. At December 31, 2018 and 2017, the amount due to PartnerRe related to this loan was \$22.2 and \$61.5 million

3.2 FITNESS AND PROPRIETY REQUIREMENTS

3.2.1 FIT AND PROPER PROCESS IN ASSESSING THE BOARD AND SENIOR EXECUTIVE

The Company and the PartnerRe Group recognize the importance of ensuring the competence of senior executives and directors and their capacity and suitability to fulfil the responsibilities for their positions.

Board of Directors: Fit and Proper Assessment

A Board shall be comprised:

- of directors having an appropriate mix / level of experience and expertise;
- of a sufficient number of directors to ensure active discussion/ debate of issues, adequately staffed Board Committees, if any, and in order to comply with applicable legal/regulatory requirements; and
- to optimize operational efficiency and cost effectiveness.

Senior Executive: Fit and Proper Assessment

Appointed officers must fit the following criteria:

- have necessary experience and qualifications to satisfy any regulatory “fit and proper” standards as applicable;
- constitute the appropriate number of officers and specific roles as required for carrying out business determined by the Board along with Legal;
- be PartnerRe employees;
- are not required to be Directors of the Company;
- be appointed in consultation with the head of relevant support function, if applicable; and
- satisfy the minimum description of the role and responsibilities for Chief Financial Officer/Head of Finance, Actuarial Officer, Compliance Officer/Company Secretary and Chief Risk Officer.

Significant Board Practices

Advance Materials

Information and data important to the directors’ understanding of the business or matters to be considered at a Board or committee meeting are, to the extent practical, distributed sufficiently in advance of the meeting to allow careful review. The Chairman and each committee sets a quarterly agenda in advance of all Board and committee meetings.

Access to Management

Directors have full and unrestricted access to management. In addition, key members of management attend Board meetings to present information about and field questions in relation to the results, plans and operations of the business within their areas of responsibility.

Access to Outside Advisers

The Board and its committees may retain external counsel or consultants (from time to time) on their own initiative. For example, the Audit Committee has the authority to retain and terminate the independent auditor.

3.2.2 PROFESSIONAL QUALIFICATIONS, SKILLS AND EXPERTISE OF THE BOARD AND SENIOR EXECUTIVES

Biographies of the Board of Directors of the Company:

Mario Bonaccorso

Mr. Bonaccorso is Executive Vice President and Chief Financial Officer of PartnerRe and a member of PartnerRe group's Executive Committee and is responsible for the PartnerRe Group's financial operations. Prior to joining PartnerRe, Mr. Bonaccorso served as Managing Director of EXOR for eight years where he was responsible for Investments and for the management of EXOR's portfolio companies. Prior to joining EXOR, Mr. Bonaccorso worked as a Research and Development Telecom Engineer at Qualcomm Inc., as an engagement manager at McKinsey and Co. and as Chief Investment Officer of Jupiter Finance. Born in Italy in 1976, Mr. Bonaccorso has a Master of Science cum laude in Telecommunications Engineering from Politecnico di Torino University and a MBA with honors from INSEAD. Mr. Bonaccorso has served on behalf of EXOR on the Board of Directors of Cushman & Wakefield, Banijay Holding and Banca Leonardo and served as a director of EXOR SA.

Jose Lopez

Mr. Lopez is responsible for management and oversight of the financial reporting and control environment for the Company. Prior to re-joining PartnerRe in May 2009, Mr. Lopez was Vice President Financial Reporting and Vice President Investor Relations with XL Capital Ltd. from 2004 through 2009. From 2001 through 2004 Mr. Lopez was a Senior Manager of External Reporting at Bacardi Ltd. Before that Mr. Lopez was with PartnerRe from 1996 through 2001 where he progressed from a Senior Financial Accountant to Assistant Controller Investments. Mr. Lopez has a BS in Accounting from Illinois State University and is a CPA.

Ryan Lipschutz

Mr. Lipschutz is responsible for the Group's foreign currency and collateral management functions as well as acting as Treasury Director of the Company. Mr. Lipschutz joined PartnerRe in April 2003 and has held various positions within the Treasury function including Assistant Treasurer and Investment & Treasury Analyst. He has been in his current role since 2010. Prior to joining PartnerRe, Mr. Lipschutz was an accountant with Tewksbury Capital Management (formerly Trout Trading Management Company) from 1998 through 2003. While Mr. Lipschutz was an auditor with Deloitte & Touche from 1993 through 1998, he successfully passed the certified public accounting exams. Mr. Lipschutz holds a B.A from Muhlenberg College and is Chartered Financial Analyst. Mr. Lipschutz has been Treasurer of the Company April 27, 2016.

Lee Iannarone

Mr. Iannarone is the General Counsel of PRE Bermuda and the PartnerRe Investments Group and joined PartnerRe in January 2011 as the General Counsel and CCO of the PartnerRe Investments Group. Mr. Iannarone assumed the additional responsibility of General Counsel of PRE Bermuda in October 2017. Mr. Iannarone began his legal career at the law firm O'Melveny and Myers in their NY and London offices from 1999 to 2005 as an Associate and was promoted to Counsel in 2004. Mr. Iannarone practiced law at the firm Mandel Katz & Brosnan in London from 2005 to 2008 prior to working as Associate General Counsel and CCO of Sandell Asset Management, a multi-strategy hedge fund, in their London and NY offices from 2008 to 2011. Mr. Iannarone holds a BA cum laude in Accounting and Finance from Gettysburg

College and a JD from Georgetown University Law Center and has been a member of the NY State Bar Association since 2000.

Biographies of Executive Management of the Company:

Wanda Mwaura - Principal Representative

Ms. Mwaura is the External Reporting Director and Chief Accounting Officer for PartnerRe and is responsible for external reporting and accounting policy. Ms. Mwaura joined PartnerRe in October 2013 as the Head of External Reporting and Accounting Policy. Prior to that she was an Audit Partner in the Financial Services practice of Ernst & Young Bermuda, primarily responsible for audits of (re)insurance entities. Ms. Mwaura joined Ernst & Young Bermuda in January 1996 as a Staff Accountant and over the years was promoted to Senior, Supervisor, Manager, Senior Manager and Partner. During her career at EY, Ms. Mwaura led the audits and consulting engagements (including internal audit, internal control compliance and other special projects) for many insurance captives, SEC registrants and other reinsurance and asset management clients. Ms. Mwaura has participated on numerous boards and committees over the years, including the Bermuda Insurance Institute, The Institute of Chartered Accountants of Bermuda (ICAB) and the Atlantic School of Chartered Accountants. She holds a Bachelor of Commerce degree from Dalhousie University, is a CPA, and is a member of CPA Bermuda (formerly ICAB).

Romain Bridet - Chief Actuarial Officer

Mr. Bridet is responsible for the management and oversight of the quarterly reserve processes and peer review of business unit reserve studies. He has over 10 years experience in the actuarial field and joined PartnerRe in August 2004 as a life pricing actuary, he was promoted to Team Leader of Life Pricing and Solution in September 2008 and in September 2011 he transitioned into Life reserving and became Team Leader of Life Economic Reporting. Mr. Bridet was appointed as Chief Reserving Actuary in September 2014. Mr. Bridet is a Member of the French Institute of Actuaries and became a Certified Enterprise Risk Actuary in 2010.

Peter Antal - Chief Risk Officer

Mr. Antal joined PartnerRe in November 2016 as Head of Capital and Risk. Prior to joining PartnerRe, Mr. Antal worked with Swiss Re for over 20 years as a member of the Actuarial team culminating in his appointment as Chief Actuary of the Financial Services Business Group (Managing Director) and Head of the Actuarial Department. He was then promoted to Head of Product Strategy and then held the title of Head of Risk Modeling for six years prior to leaving to take up the role at PartnerRe. Mr. Antal has a PhD in Mathematics from ETH (Swiss Federal Institute of Technology, Zurich), is a Chartered Financial Analyst and a Fellow of the Swiss Actuarial Society. He acts as an expert for the IMF and has lead several technical assistance missions in the Caribbean region and is fluent in German, English, French and Hungarian.

Nicholas Hughes - Co-Chief Underwriting Officer

Mr. Hughes is the Co-Chief Underwriting Officer of the Company and is responsible for underwriting the Global Catastrophe portfolio. He joined the Company in 2008, specializing in U.S. and International catastrophe underwriting and portfolio management, spending time in both the PartnerRe Bermuda and Zurich locations. Prior to joining PartnerRe, Mr. Hughes was a Global Lead Audit Senior with Ernst & Young Ltd., Bermuda, responsible for auditing SEC-registered Reinsurance Companies within the Insurance Practice from 2006 to 2008. Before that Mr. Hughes worked for Ernst & Young LLP, London, obtaining his CA from the Institute of Chartered Accountants of Scotland. Mr. Hughes holds a BA (Hons) in Economics & Management from Oxford University, UK and is an Associate in Reinsurance from the Insurance Institute of America.

Joseph Hooks - Co-Chief Underwriting Officer

Mr. Hooks is the Co-Chief Underwriting Officer of the Company and is responsible for underwriting North American property catastrophe risk and joined PartnerRe in September 2012. Mr. Hooks began his reinsurance career in 1999 as an actuarial analyst for NAC Re which was purchased by XL in that same year. In November 2002, he joined the casualty treaty underwriting team and underwrote all lines of casualty reinsurance. In April 2005, he left XL to join Flagstone Re as the Specialty Underwriter underwriting WC cat, casualty clash, marine, energy, aviation, agricultural, space as

well as some property cat, risk and proportional. In August 2011, he assumed the role of CUO - North America at Flagstone with a focus being more on property catastrophe business. Mr. Hooks holds a BS in Physics from Fairfield University with a minor in Mathematics. He also holds the ARe, CPCU and RPLU designations.

Jose Lopez - Chief Financial Officer

See biography details above.

Ryan Lipshutz - Treasurer

See biography details above.

Lee Iannarone - General Counsel

See biography details above.

Seth Darrell - Associate General Counsel & Secretary

Mr. Darrell is the Secretary and Associate General Counsel of the Company and joined PartnerRe in March 2018. Mr. Darrell joined PartnerRe from Appleby (Bermuda) Limited where he practised corporate and commercial law with an emphasis on non-contentious (re)insurance transactional work, debt and equity securities, cross-border mergers and acquisitions and other structured finance transactions from September 2011 to March 2018. Mr. Darrell received his LLB (Hons) from Queen Mary, University of London, England and completed the Legal Practice Course at BPP Law School, Birmingham. He is a practicing member in good standing of the Bermuda Bar Association.

3.3 RISK MANAGEMENT AND SOLVENCY ASSESSMENT

3.3.1 RISK MANAGEMENT PROCESSES AND PROCEDURES

PartnerRe's Group Enterprise Risk Management (ERM) framework outlines group-wide policies and procedures applicable to the Group and are adopted by its subsidiaries, including the Company. A discussion of the Group's risk management processes and procedures can be found in Item 4. B. *Business Overview—Risk Management* of PartnerRe's report on Form 20-F for the fiscal year ended December 31, 2018.

3.3.2 IMPLEMENTATION OF RISK MANAGEMENT AND SOLVENCY SELF-ASSESSMENT SYSTEMS

3.3.2.1 Enterprise Risk Management Framework

As noted above, PartnerRe has a group-wide ERM framework following generally accepted best practice and consistent with the major regulatory regimes the Group operates in. The Group ERM framework has been implemented in the Company in line with the regulatory framework in Bermuda and consists of the following main components:

- Risk Governance
- Risk Assessment
- Risk Appetite Framework
- CISSA

Risk Governance

The ERM framework is governed by a set of policies, collectively known as Group Risk Policies. These policies are subject to annual review and approval by the Board of PartnerRe. Senior management of the Company is involved in the annual review and ensures overall alignment with the interests of the Company. Upon approval by the board of PartnerRe Ltd. ("PartnerRe"), the Group Risk Policies are adopted by the Board of Directors of the Company ("Board").

Risk Assessment

The Risk Assessment is an annual process to systematically identify and assess all reasonably foreseeable and relevant material risks for the Company, and rate them in order to identify key risks. The Risk Assessment takes into account the effectiveness of controls and other mitigating factors.

Risk owners across the Company, senior management and the Company's Risk Committee members are involved in preparing, discussing and reviewing the Risk Assessment. The Risk Assessment for the Company is integrated into the broader Risk Assessment process of its Parent, PartnerRe Bermuda.

Risk Appetite Framework

Risk appetite is defined as the overall level of risk the Company is prepared to accept in pursuit of its strategic objectives. The Company's Risk Appetite is defined through the minimum target regulatory capital corresponding to a 120% BSCR ratio. Note that PRCL's risk appetite statement includes all the risks assumed through PRLCBL.

The Commercial Insurer's Solvency Self-Assessment (CISSA)

The CISSA builds on the Risk Assessment and the Risk Appetite Framework. It assesses the adequacy of the Company's risk management and the current and projected future solvency position (see section 3.3.2.2.).

3.3.2.2 SOLVENCY SELF ASSESSMENT

The definition of CISSA capital has been revised in this report: previously the CISSA capital has been defined as the maximum of 1) 120% of the regulatory capital as determined based on the Bermuda Solvency Capital Requirement ("BSCR") calculation and 2) the modeled VaR of 99.6% (i.e. 1 in 250-yr PML) of the 1-yr forward-looking Economic View of the Legal Entity Model. This view has not considered the implicit guarantee PartnerRe Bermuda has towards the Company (for which the internal model already accounts by including the Company when calculating the internally required capital for PartnerRe Bermuda). Considering this guarantee, the internally required capital for the Company would be near zero, as at the 99.6% confidence level PartnerRe Bermuda can always ensure the solvency of the Company.

Therefore, the CISSA capital as of now is defined through the 120% BSCR ratio.

We note that due to the requirements of the Office of the Superintendent of Financial Institutions ("OSFI"), the agency responsible for the regulation of insurance companies in Canada, the Company holds and expects to continue to hold invested assets at a level such that the available capital is in significant excess of required capital. This is due to OSFI's requirements of the Canadian Branch of the Parent. In order for the Parent's reinsurance recoverable to be admissible for Canadian statutory purposes, the Company must have certain amounts of assets pledged as collateral. This coupled with the Group's risk appetite framework, would allow the Company to pay all its outstanding claim liabilities and benefit from the improved pricing environment implied by a scenario with severe losses, with very limited (if any) need to raise additional capital.

3.3.3 RELATIONSHIP BETWEEN SOLVENCY NEEDS AND CAPITAL AND RISK MANAGEMENT SYSTEMS

The Company considers two capital notions for solvency purposes, regulatory and internal capital. The Group also assesses rating agency capital which is not further allocated to legal entities.

3.3.4 SOLVENCY SELF ASSESSMENT APPROVAL PROCESS

Approval

The Risk Appetite Framework is approved annually by the Board of the Company upon recommendation of its Risk Committee. Exceptions to the Risk Appetite Framework must be approved by the Chairman of the Board. Such approval shall be temporary, pending ratification by the Board.

Review

The formulation of the Risk Appetite Statements and Risk Limits and Tolerances is a continuous process based on risk identification and assessment (Risk Assessment), strategic planning and objective setting, and reviews of risk appetite as part of the ERM activities throughout the year, in particular

- following the annual Risk Assessment,
- during the analysis of the results and outputs of each CISSA process, and
- in the event of any material change to strategy, operating environment or business performance.

If deemed necessary following a review, the Risk Appetite Framework will be revised. In any event, it will be reviewed at least annually by the Risk Committee and Board.

The Risk Committee is authorized by the Board to respond to changes in the business environment including the underwriting cycle, competition, macroeconomic trends, risk events, losses, the capital position, credit ratings, market initiatives and other factors, and propose amendments to the Risk Appetite Framework. All amendments to the Risk Appetite Framework require approval by the Board.

Monitoring

The Risk Committee monitors and ensures adherence to the Risk Appetite Framework. The Chief Risk Officer reports compliance, or lack thereof, formally on a quarterly basis to the Board of Directors via the Risk Committee.

Communication

Risk Appetite Statements and Risk Limits and Tolerances are communicated to senior management of the relevant functional areas and, where appropriate, to specific staff and the Finance functions.

3.4 INTERNAL CONTROLS

3.4.1 INTERNAL CONTROL SYSTEM

As stated earlier in the report, PartnerRe's Board, in its commitment to high standards of business conduct, has adopted various policies and guidelines to address key risk areas. These policies and guidelines are supported by detailed procedures as necessary.

The Group's internal control system covers a wide range of processes across the Group which includes, but is not limited to: underwriting; claims; investments; risk management and operational functions. Also included in the internal control system are the Company's SOX controls necessary to support its ongoing obligations as an SEC registrant to maintain effective internal controls over financial reporting. The internal control system has also been strengthened by the

implementation of a software tool to provide enhanced governance over the Group's existing robust internal control framework as well as to provide enhanced reporting and a mechanism to enhance the collaboration between the Group's risk management, compliance and internal audit functions.

Each Group ERM Risk Policy is complemented by associated risk controls which contain the details of the various risk items, processes and controls that are implemented throughout the organization to allow the mitigation of the risks associated with the Risk Policy.

PartnerRe's Board oversees the internal control system and is supported in the first instance by the Audit Committee and secondly by Internal Audit through the performance of a risk-based internal audit plan supporting its annual opinion on the Group's internal control system.

In addition to PartnerRe's Board, the Group's compliance function, finance function, actuarial function, risk management function and internal audit function are all key contributors to the governance and oversight of the Company's internal control system.

Finance Function

The Company's finance function (which is led by PartnerRe's Chief Financial Officer) ensures:

- the accuracy of the Company's U.S. GAAP financial reports;
- the accuracy of the Company's annual statutory financial statements;
- the Company is compliant with relevant accounting policies and standards;
- the Company is compliant with its regulatory financial reporting obligations to the BMA;
- the Company maintains sufficient capital to meet business and regulatory requirements;
- monitoring of solvency ratios and calculations; and
- that the Company's capital and liquidity is managed efficiently and effectively.

3.4.2 COMPLIANCE FUNCTION

The Group's Compliance function (which is headed by PartnerRe's Chief Legal Officer) comprises the Group's Legal & Compliance team together with jurisdictional compliance contacts. This function is responsible for ensuring the Company's compliance with regulatory requirements and legal obligations.

The strategic objectives of the Group's compliance function are:

- ensuring effective relationships with key regulators, industry groups and the Group in order to anticipate and manage new regulatory, legislative and industry developments;
- identifying and implementing appropriate policies and procedures to ensure compliance with regulatory and legislative obligations;
- identifying and reviewing existing regulatory and legislative requirements to determine that existing policies and procedures comply with obligations; and
- providing compliance risk management expertise to ensure business initiatives maintain compliance and achieve business objectives.

The Group's compliance framework ensures there is effective oversight of the activities of the Company taking into consideration the nature, scale and complexity of the business being conducted by it. This includes:

- identification of regulatory and legal obligations and requirements. These are identified by monitoring and documenting legal, regulatory and industry developments and liaising with the BMA (and other jurisdictional regulators as appropriate);
- development of an overarching compliance framework underpinned by detailed policies and procedures. The identified regulatory and legal obligations and requirements inform and shape the policies and procedures to be followed;
- robust monitoring and regular reporting in respect of the Company's compliance with such policies and procedures. Group Internal Audit, the Group's Chief Risk and Actuarial Officer and the Group risk management functions are key contributors to the assessment of the Company's compliance framework.

PartnerRe's Board receives quarterly updates from the Company's Legal & Compliance function in respect of monitoring the Company's compliance activities. Such reporting is designed to provide the Board with sufficient comfort that the Company has complied with all requisite regulatory and legal requirements and, where necessary, to highlight any occasions on which the Company has deviated (in a material and/or non-material manner) from such requirements.

3.5 GROUP INTERNAL AUDIT

The Corporate Audit Group (CAG) assists Senior Management and the Board of Directors in achieving their corporate objectives and discharging their duties and responsibilities. This is achieved through CAG's systematic and disciplined approach to evaluating and improving the effectiveness of the Company's internal control system. The CAG functions as an independent, objective assurance and advisory activity designed to add value and to assist in improving operations.

Based on testing performed as part of a risk-based internal audit program, the CAG provides the Board (via the Audit Committee) with reasonable assurance that:

- operations are effective and efficient;
- internal control over financial reporting is appropriately designed, reliable and operating effectively;
- there is compliance with laws and regulations;
- employee's actions are in compliance with internal policies, standards, procedures and application laws and regulations;
- the Company's assets are acquired economically, used efficiently and appropriately protected; and
- risks are appropriately identified and managed and the Company's risk management policies are consistently applied as documented.

Annually, CAG provides senior management and the Parent's Board with an overall opinion on the Group's internal control system.

Management is required to maintain an Anti-Fraud Program, which the Audit Committee oversees, as part of the requirements of the Sarbanes–Oxley Act of 2002. CAG conducts this program on behalf of management and reports the results to management and the Audit Committee annually. As part of this program, CAG updates the Group's fraud risk assessment and test the controls annually.

3.6 CAPITAL & RISK AND ACTUARIAL FUNCTION

The Group Chief Risk and Actuarial Officer ("CRAO") oversees the Capital & Risk and Actuarial functions to ensure proper risk oversight, that the capital model meets business needs and regulatory requirements as well as appropriate reserve estimation. The CRAO reports risk and reserving topics to the Board on a quarterly basis.

The Capital & Risk function provides a link between operations within the business units through the overall PartnerRe risk governance framework which includes reporting on risk exposures through risk scorecards.

Capital & Risk:

- Provides a properly functioning ERM framework including risk policies which appropriately address risks in alignment with evolving regulatory and market (investor, rating agency) standards.
- Establishes methodology to support the mitigation of risks such as risk identification and assessment processes
- Performs risk monitoring and reporting including risk correlation, concentration and aggregation.
- Ensures deployed capacity is monitored and remain within the defined risk appetite expressed at Group or at the Legal Entity level.
- Builds, evolves and maintains the capital model to meet business requests and regulatory requirements. A single internal capital model is used across the group to meet various needs and purposes.
- Discusses and challenges assumptions with internal stakeholders and subject matter experts in order to build a common understanding about risk.
- Discusses and challenges internal stakeholders on all risk issues in relation to the Risk Universe and ERM Framework through the ERC and Risk Committee at the Legal Entity level.
- Oversight of Group Security Committee to set guidelines for counterparty credit risks.
- Ensures capital is appropriately attributed to business units for pricing purposes.

Actuarial:

The Group's actuarial function ensures:

- the Company has a robust and structured approach to estimating the Company's reserves and reserving considerations are integrated into key operations and strategic decision making; and
- the Company complies with regulatory and financial requirements for the estimation and reporting of reserves within an appropriately controlled framework.

The actuarial function provides inputs to the risk scorecards produced by the risk management function. It also produces indications for premium and reserve capital factors used in pricing along with asset, reserve and non-cat risk distributions.

3.7 OUTSOURCING

3.7.1 OUTSOURCING POLICY

The Company manages both internal and external outsourcing in accordance with all applicable regulatory requirements. Where appropriate, the Company has entered into Service Level Agreements which include an obligation on the parties to the contract to comply with all legal and regulatory obligations. The Company utilizes the expertise from other PartnerRe Group entities and jurisdictions (i.e. subsidiaries and affiliates of the Group) for services from the key group functions including, underwriting and claims, actuarial and reserving, risk management, legal and compliance, finance and accounting, internal audit and investments. Third party outsourcings are limited and driven by strategic business decisions and/ or legal and regulatory obligations.

3.7.2 MATERIAL INTRA-GROUP OUTSOURCING

See section 3.7.1 - *Outsourcing Policy* above.

3.8 ANY OTHER MATERIAL INFORMATION

N/A

4. RISK PROFILE

4.1 MATERIAL RISKS

A discussion of the Group's risk material risks can be found in Item 4.B. *Business Overview—Risk Management* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

As part of the ERM Framework, the Company's risks are structured in a *Risk Universe*. The Risk Universe should cover all reasonably foreseeable and relevant material risks to the Company. It is expected to develop over time as the industry, business portfolio mix and the Company's operational structure evolves.

The Risk Universe is structured in the following main categories and subcategories:

- Strategic Risk
- Reputational Risk
- Emerging Risk
- Reinsurance Risk
- Financial Market and Credit Risk
- Operational Risk

The material risks for the Company are:

- Market Risk
- Interest Rate Risk
- Default and Credit Spread Risk
- Longevity Risk
- Mortality Risk
- Pandemic Risk

4.2 RISK MITIGATION

A discussion of the Group's risk material risks and risk mitigation can be found in Item 4.B. *Business Overview—Risk Management—Risk Mitigation* PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

4.3 MATERIAL RISK CONCENTRATIONS

Fixed maturities

The Company has exposure to credit risk as a holder of fixed maturity securities. The Company controls this exposure by emphasizing investment grade credit quality in the fixed maturity securities it purchases. The Company's investment portfolio is managed following prudent standards of diversification and a prudent investment philosophy. The Company

is not exposed to any significant credit concentration risk on its investments, except for debt securities issued by the Canadian government. At December 31, 2018 and 2017, other than the Canadian government, the Company's fixed maturity investment portfolio did not contain exposure to any non-U.S. sovereign government or any other issuer that accounted for more than 10% of the Company's shareholder's equity.

4.4 INVESTMENT PHILOSOPHY

A discussion of PartnerRe's investment philosophy can be found in Item 5. *Operating and Financial Review and Prospects —Investment Operations* of PartnerRe's Annual Report on Form 20-F for the fiscal year ended December 31, 2018.

4.5 STRESS TESTING OF MATERIAL RISKS

The Company performs stress testing for its material risks. A key component of the CISSA is the projection of the capital position under normal and adverse scenarios and the performance of scenarios which would be the likely cause of business failure. In addition, some of the risk tolerance criteria set by the Board and monitored on quarterly basis are based on certain predefined extreme scenarios.

BSCR Model Stress Testing

The Company also performs stress-testing as prescribed in the BMA's BSCR model which tests the impact on the BSCR ratio after specified events. In addition, the BMA instructions also require the Company to estimate a worst case scenario. The worst-case annual aggregate loss for the Company as evaluated by the company's internal capital model corresponding to a return period of 250 years is \$446 million.

4.6 ANY OTHER MATERIAL INFORMATION

N/A

5. SOLVENCY VALUATION

The information in this section is based on the Company's Economic Balance Sheets as at December 31, 2018 and 2017.

The Company merged with ARL, a subsidiary of the Parent in November 2018. In accordance with section I.18 of the Bermuda Monetary Authority's guidance note for Commercial Insurers and Insurance Groups' Statutory Reporting Regime, the results of ARL have been included in the statutory financial statements for the year ended December 31, 2018. The 2017 comparatives in the statutory financial statements and EBS have not been restated.

5.1 VALUATION OF ASSETS

PartnerRe values its assets in accordance with U.S. GAAP, including the use of the fair value measurement for certain assets. A discussion of the Group's significant accounting policies can be found in Note 2 to the Consolidated Financial Statements in Item 18 of PartnerRe's report on Form 20-F for the fiscal year ended December 31, 2018.

The Company records the following material adjustments to assets from U.S. GAAP to EBS:

- remove non-admitted assets such as intangibles and prepaid expenses; and
- remove deferred acquisitions costs (these are included in liabilities as a component of technical provisions).

See also Section 6.1.7 *Reconciliation of Shareholder's Equity to Available Capital and Surplus*.

5.2 VALUATION OF TECHNICAL PROVISIONS

Life and Health (Long-term) Business

Technical provisions on an EBS basis comprise the sum of a best estimate and a risk margin (\$151.7 million and \$19.7 million as at December 31, 2018 and 2017, respectively).

The best estimate corresponds to the probability-weighted average of future cash flows, discounted using the relevant risk-free interest rate term structure. The cash flow projections used in the calculation of the best estimate takes into account all future cash in- and out-flows required to settle the insurance obligations attributable to the lifetime of the policy. The cash flows is based on unbiased current estimates. The methodologies applied to derive the cash flows differ for each of the separate lines of business.

- For the vast majority of long term business projections are performed using proprietary software based on seriatim data and best estimate assumptions are challenged against industry standards adjusted to reflect emerging experience. For the remainder of the long term business and short term business, a simplified approach is followed using the U.S. GAAP reserves as starting point adjusted to remove margins for prudence.
- In practice, a loading on claims is used for mortality products as an allowance for binary events not included in the data (pandemic event for example).
- Best estimate liabilities include allowance for business bound but not incepted (BBNI) taking into account the expected profits and the time value of money over the period until settlement of the relevant cash out-flows;
- For each class of business, the best estimate includes an allowance for future direct and overhead expenses. The assumptions exclude expenses related to the acquisition of new business.

The risk margin reflects the uncertainty associated with the probability-weighted cash flows. The Cost-of-Capital approach is used under the following guidelines:

- The cost-of-capital rate used is 6%;
- The calculation reflects Bermuda regulatory capital requirements calculated using the BSCR capital factors; the BSCR for longevity risks has been adjusted to reflect an underestimation of the BSCR for longevity swap arrangements.
- The calculation covers the full period needed to run-off the insurance liabilities and is discounted using the risk-free discount curve;
- The risks taken into account are insurance risk, counterparty credit risk and operational risk;
- The Company takes credit for diversification between lines of business and risk types consistent with the assumptions underlying the BSCR model.

5.3 RECOVERABLES FROM REINSURANCE CONTRACTS

N/A

5.4 VALUATION OF OTHER LIABILITIES

PartnerRe values its other liabilities in accordance with U.S. GAAP. A discussion of the Group's significant accounting policies can be found in Note 2 to the Consolidated Financial Statements in Item 18 of PartnerRe's report on Form 20-F for the fiscal year ended December 31, 2018.

The Company records an adjustment to other liabilities on an EBS basis to recognize a net gain on an Assumption Reinsurance Agreement with an affiliate. This gain is deferred for U.S. GAAP purposes. See also Section 6.1.7 *Reconciliation of Shareholder's Equity to Available Capital and Surplus*.

5.5 ANY OTHER MATERIAL INFORMATION

See section 6.1.7 for a reconciliation of the Company's shareholders' equity as per the Company's financial statements prepared using U.S. GAAP to Statutory Economic Capital and Surplus as calculated under EBS.

6. CAPITAL MANAGEMENT

6.1 ELIGIBLE CAPITAL

6.1.1 CAPITAL MANAGEMENT PROCESS

Capital Adequacy

Management's first priority is to hold sufficient capital to meet all of the Company's obligations to cedants, meet regulatory requirements and support its position as one of the stronger reinsurers in the industry. Management closely monitors its capital needs and capital level throughout the reinsurance cycle and in times of volatility and turmoil in global capital markets actively takes steps to increase or decrease the Company's capital in order to achieve an appropriate balance of financial strength and shareholder returns. Capital management is achieved by either deploying capital to fund attractive business opportunities, or in times of excess capital and times when business opportunities are not so attractive, returning capital to its common shareholder by way of dividends.

Capital Resources Management

As part of its long-term strategy, the Company will seek to grow capital resources to support its operations throughout the reinsurance cycle, maintain strong ratings from the major rating agencies and maintain the unquestioned ability to pay claims as they arise.

6.1.2 ELIGIBLE CAPITAL BY TIER

The Company's eligible capital by tier at December 31, 2018 and 2017 was as follows (in thousands of Canadian dollars):

PARTNER REINSURANCE LIFE COMPANY OF BERMUDA LTD.
FINANCIAL CONDITION REPORT DECEMBER 31, 2018

	2018	2017
Tier 1	\$ 765,892	185,681
Tier 2	—	—
Tier 3	—	—
Total	\$ 765,892	\$ 185,681

Tier 1 capital includes statutory economic surplus, capital stock and contributed surplus.

6.1.3 ELIGIBLE CAPITAL APPLIED TO ENHANCED CAPITAL REQUIREMENT (ECR) AND MINIMUM SOLVENCY MARGIN (MSM)

The Company's eligible capital applied to the ECR and MSM by tier at December 31, 2018 was as follows (in thousands of Canadian dollars):

	Applied to MSM	Applied to ECR
Tier 1	\$ 765,892	\$ 765,892
Tier 2	—	—
Tier 3	—	—
Total	\$ 765,892	\$ 765,892

6.1.4 TRANSITIONAL ARRANGEMENTS

N/A

6.1.5 ENCUMBERANCES ON CAPITAL

At December 31, 2018 and 2017, approximately \$810.3 million and \$891.3 million, respectively, of quoted bond investments were deposited or held in trust or escrow accounts to enable an affiliated company and a branch of the Parent to take statutory financial statement credit.

6.1.6 ANCILLARY CAPITAL

N/A

6.1.7. RECONCILIATION OF SHAREHOLDER'S EQUITY TO AVAILABLE CAPITAL AND SURPLUS

The following table compares shareholder's equity as per the Company's Condensed General Purpose Financial Statements to Statutory Economic Capital and Surplus as calculated under EBS:

PARTNER REINSURANCE LIFE COMPANY OF BERMUDA LTD.
FINANCIAL CONDITION REPORT DECEMBER 31, 2018

December 31, (in thousands of Canadian dollars)	2018	2017
U.S. GAAP Shareholder's Equity	\$ 458,554	\$ 137,302
Non-Admitted Assets ¹	(97,618)	—
Deferred Gain ¹	61,093	65,035
Statutory Capital and Surplus (Form 1)	\$ 422,029	\$ 202,337
EBS Adjustments ²	343,863	(16,656)
Statutory Economic Capital and Surplus (Form 1EBS)	\$ 765,892	\$ 185,681

1. In 2014 the Parent entered into an Assumption Reinsurance Agreement with an affiliate which resulted in a net gain being recognized in the Parent's 2014 statutory financial statements. A portion of this gain was transferred to the Company through its 75% quota share with its parent. For U.S. GAAP purposes this gain was deferred. At December 31, 2018 and 2017, liabilities of \$61 million and \$65 million, respectively, are recorded in the Company's condensed general purpose balance sheet related to this deferred gain.
2. At December 31, 2018, EBS adjustments include a decrease in Life technical provisions of \$384 million (see section 5.2 for a detailed explanation of the valuation of life technical provisions) and a decrease in deferred acquisition costs (DAC) of \$40 million. (On an EBS basis DAC is implicitly included in premium provisions and is not reflected as an asset.) At December 31, 2017, EBS adjustments include an increase in Life technical provisions of \$1 million and a decrease in DAC of \$15 million.
3. The Company merged with ARL, a subsidiary of the Parent in November 2018. In accordance with section I.18 of the Bermuda Monetary Authority's guidance note for Commercial Insurers and Insurance Groups' Statutory Reporting Regime, the results of ARL have been included in the statutory financial statements for the year ended December 31, 2018. The 2017 comparatives in the table above have not been restated.

6.2. REGULATORY CAPITAL REQUIREMENTS

The Company's ECR and MSM at as December 31, 2018 and 2017 were as follows (in thousands of Canadian dollars):

	2018	2017
ECR	166,007	20,243
MSM	41,502	4,697

As at December 31, 2018 and 2017, the Company's solvency, liquidity and risk-based capital levels were in excess of the minimum levels required.

6.3 APPROVED INTERNAL CAPITAL MODEL

N/A

6.4 ANY OTHER MATERIAL INFORMATION

N/A

7. SUBSEQUENT EVENTS

In March 2019, the Parent contributed cash of \$95 million to the Company as contributed surplus.

8. DECLARATIONS

We, a Director and the General Counsel of Partner Reinsurance Life Company of Bermuda Ltd. do hereby certify that to the best of our knowledge and belief, this financial condition report fairly represents the financial condition of Partner Reinsurance Life Company of Bermuda Ltd. in all material respects.

DIRECTOR



Mario Bonaccorso

April 30, 2019
Date

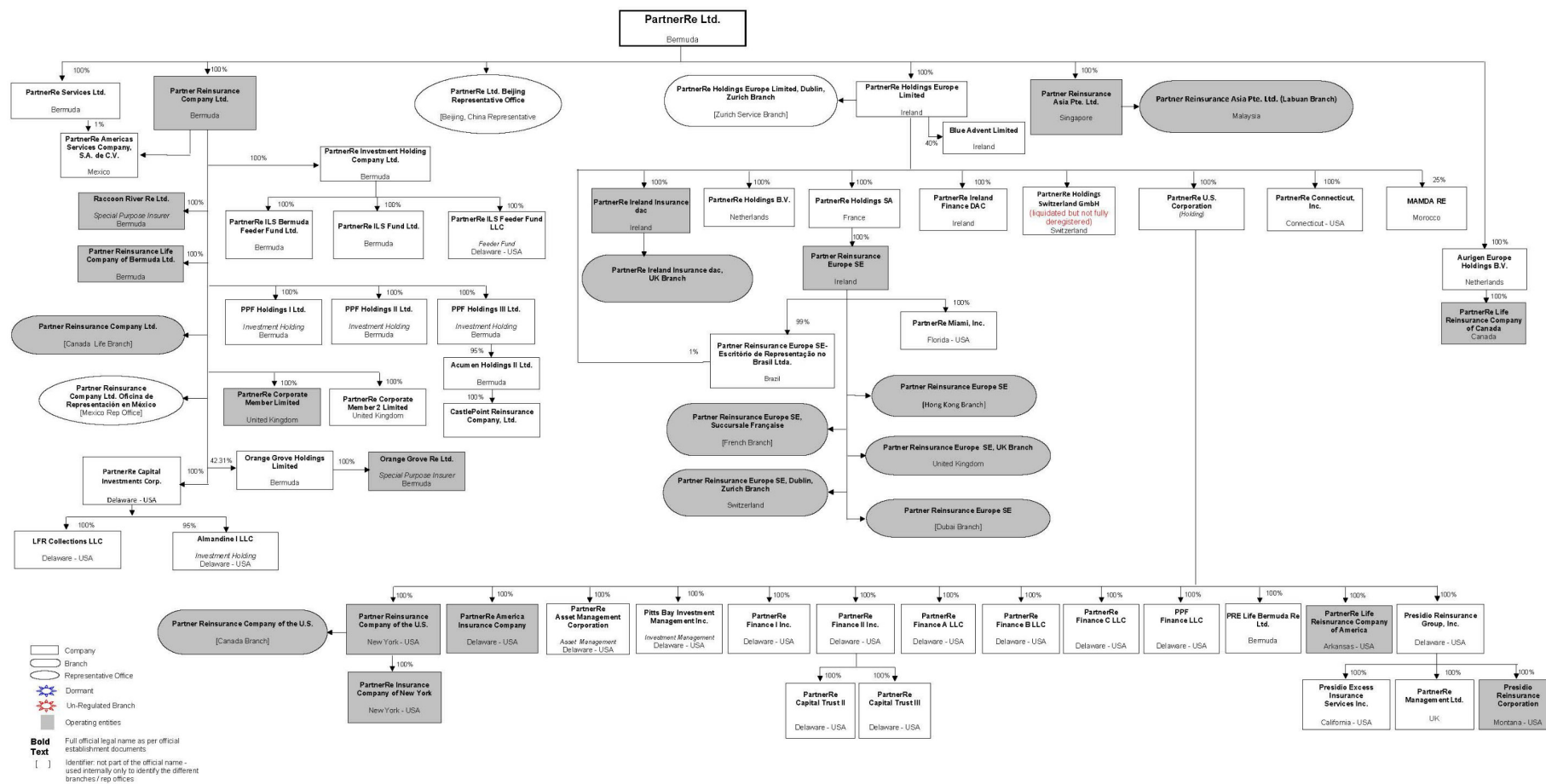
GENERAL COUNSEL



Lee Iannarone

April 30, 2019
Date

as at December 31, 2018



Appendix II

Contact Details

Group supervisor:

Organization: Bermuda Monetary Authority
Jurisdiction: Bermuda
Phone Number: 1(441)295 5278

Approved group auditor:

Organization: Ernst & Young Ltd.
Jurisdiction: Bermuda
Phone Number: 1(441)295 7000