



INVESTORS SERVICE

Rating Action: Moody's affirms PartnerRe's ratings following announced acquisition by Covéa; outlook stable

4 March 2020

New York, March 4, 2020 Moody's Investors Service, ("Moody's") has affirmed the A1 insurance financial strength (IFS) ratings of Partner Reinsurance Company Ltd. and Partner Reinsurance Company of the US and the debt and preferred stock ratings of PartnerRe Ltd. (PartnerRe, senior shelf (P)A3 stable) and its debt financing subsidiaries. The action follows EXOR N.V.'s announcement that it has entered into a definitive agreement to sell PartnerRe to Covéa in an all-cash transaction valued at approximately \$9 billion. The transaction is expected to close in the fourth quarter of 2020, subject to various regulatory approvals and other customary closing conditions. The outlook for the ratings is stable.

RATINGS RATIONALE

The rating affirmation reflects Moody's expectation that the change in ownership to Covéa will not have a meaningful impact PartnerRe's business strategy and credit profile over the next 12 to 18 months and that the current management team and other key employees will remain in place. PartnerRe will benefit from being part of a larger insurance organization with substantial capital resources which could be used to alleviate capital strain in the event of large catastrophe losses or to help finance profitable growth opportunities. Key considerations for PartnerRe's ratings going forward include the successful retention of client and broker support following the acquisition, its prospective capital adequacy and financial leverage as well as implicit and explicit support provided by Covéa.

PartnerRe's ratings reflect the group's leadership position in specialty reinsurance lines, its broad international presence and operational platform as well as its diversified book of business across a broad range of exposure classes, including life and health reinsurance. Other strengths include its strong capitalization, good core profitability and high quality investment portfolio. Tempering these strengths are the potential for earnings volatility arising from PartnerRe's meaningful property catastrophe reinsurance exposures and from claims inflation in its casualty reinsurance lines, as well as the highly competitive operating environment in reinsurance market marked by an oversupply of capital from both traditional reinsurers and alternative capital providers.

PartnerRe reported good profitability in 2019 with a combined ratio of 100.3% following two years of low profitability due to high catastrophe losses. For 2019, the company reported net income available to common shareholder of \$890 million (2018: loss of \$132 million). 2019 results included \$434 million of realized and unrealized gains on fixed maturities and short-term investments. Going forward, we expect PartnerRe's profitability to benefit from the increases in reinsurance pricing observed during the past several major reinsurance renewal periods.

PartnerRe's (P)A3 senior shelf rating is two notches below the A1 insurance financial strength rating of the company's flagship operating subsidiary, Partner Reinsurance Company Ltd., reflecting the application of narrower notching for debt instruments issued by insurance groups domiciled in locations that benefit from enhanced group regulatory supervision, including Bermuda.

RATING DRIVERS

The following factors could result in an upgrade of PartnerRe's ratings: 1) enhancements to the company's scale and competitive position in the global reinsurance sector 2) improved balance of premium volume between P&C reinsurance and life & health reinsurance; 3) successful integration with Covéa, with evidence of strong explicit or implicit support; and 4) a sustained reduction in the company's overall risk profile and volatility.

Conversely, the following factors could result in a downgrade of the ratings: 1) Significant business disruption following the acquisition resulting from weakening client or broker support or loss of key management and underwriting employees; 2) decline in shareholders' equity by more than 10% over a rolling twelve month period; 3) adjusted financial leverage in excess of 25%; 4) gross underwriting leverage greater than 3.0x; and 5) sustained weak profitability with returns on capital in the mid-single digits across multiple years

The following ratings have been affirmed:

PartnerRe Ltd. – provisional senior unsecured shelf at (P)A3, provisional subordinated shelf at (P)Baa1, preferred stock at Baa2(hyb), provisional preferred stock shelf at (P)Baa2, provisional preferred stock non-cumulative shelf at (P)Baa2;

Partner Reinsurance Company Ltd – insurance financial strength at A1;

Partner Reinsurance Company of the US – insurance financial strength at A1;

PartnerRe Finance II Inc.- guaranteed junior subordinated debt at Baa1(hyb);

PartnerRe Ireland Finance DAC – guaranteed senior unsecured debt at A3;

PartnerRe Finance B LLC – guaranteed senior unsecured debt at A3, provisional senior unsecured shelf at (P)A3, provisional subordinated shelf at (P)Baa1.

PartnerRe Finance C LLC - provisional senior unsecured shelf at (P)A3, provisional subordinated shelf at (P)Baa1.

Outlook actions:

The Outlooks for PartnerRe Ltd., Partner Reinsurance Company Ltd., Partner Reinsurance Company of the US, PartnerRe Finance B LLC, PartnerRe Finance C LLC, PartnerRe Finance II Inc., PartnerRe Ireland Finance DAC remain Stable.

PartnerRe Ltd., based in Bermuda, is engaged through its subsidiaries in underwriting multi-line reinsurance on a worldwide basis. The company is a wholly-owned subsidiary of EXOR N.V., a leading investment holding company based in Italy. As of December 31, 2019, PartnerRe Ltd. had shareholder's equity of approximately \$7.3 billion.

The principal methodology used in these ratings was Reinsurers Methodology published in November 2019. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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