PARTNERRE LTD
Form 10-K
February 25, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-14536

PartnerRe Ltd.
(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	Not Applicable (I.R.S. Employer Identification No.)
90 Pitts Bay Road, Pembroke, Bermuda (Address of principal executive offices)	HM 08 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $1.00 par value	New York Stock Exchange, Bermuda Stock Exchange
6.50% Series D Cumulative Preferred Shares, $1.00 par value	New York Stock Exchange
7.25% Series E Cumulative Preferred Shares, $1.00 par value	New York Stock Exchange
5.875% Series F Non-Cumulative Preferred Shares, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   Yes ý   No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)   Yes ¨   No ý

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the most recently completed second fiscal quarter (June 30, 2015) was $6,138,078,004 based on the closing sales price of the registrant's common shares of $128.50 on that date.

The number of the registrant's common shares (par value $1.00 per share) outstanding, net of treasury shares, as of February 22, 2016 was 47,952,142.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

PartnerRe Ltd. has made statements under the captions Business, Risk Factors, Management’s Discussion and Analysis of Financial Condition and Results of Operations, particularly under the captions “2016 Outlook” (or similarly captioned sections) and in other sections of this annual report on Form 10-K that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including those factors described under the caption entitled Risk Factors. You should specifically consider the numerous risks outlined under Risk Factors.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. We are under no duty to update any of these forward-looking statements after the date of this annual report on Form 10-K to conform our prior statements to actual results or revised expectations.

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PART I

ITEM 1. BUSINESS

General

PartnerRe Ltd., incorporated in Bermuda in August 1993, is the ultimate holding company for our international reinsurance and insurance group (collectively, the Company, PartnerRe or we). The Company predominantly provides reinsurance and certain specialty insurance lines on a worldwide basis through its principal wholly-owned subsidiaries, including Partner Reinsurance Company Ltd. (PartnerRe Bermuda), Partner Reinsurance Europe SE (PartnerRe Europe), Partner Reinsurance Company of the U.S. (PartnerRe U.S.) and, effective April 1, 2015, Partner Reinsurance Asia Pte. Ltd. (PartnerRe Asia). 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 Company’s alternative risk products include weather and credit protection to financial, industrial and service companies on a worldwide basis.

In 1997, recognizing the limitation of a monoline strategy, the Company shifted its strategic focus to become a leading multiline reinsurer. In July 1997, the Company completed the acquisition of SAFR (subsequently renamed PartnerRe SA and reinsurance business transferred into PartnerRe Europe), a well-established global professional reinsurer based in Paris. In December 1998, the Company completed the acquisition of the reinsurance operations of Winterthur Re, further enhancing the Company’s expansion strategy. In December 2009, the Company completed the acquisition of PARIS RE Holdings Limited (Paris Re), a French-listed, Swiss-based holding company and its operating subsidiaries. This acquisition provided the Company with enhanced strategic and financial flexibility in a less predictable and more limited growth environment.

Effective December 31, 2012, the Company completed the acquisition of Presidio Reinsurance Group, Inc. (subsequently renamed and referred to herein as PartnerRe Health), a U.S. specialty accident and health reinsurance and insurance writer.

As of April 1, 2015, PartnerRe Asia became the principal reinsurance carrier for the Company’s non-life and life business underwritten in the Asia Pacific region. The establishment of PartnerRe Asia has enabled the Company's Asian reinsurance operations to be consolidated into one regional, well-capitalized entity and will support its growing underwriting presence in the region.

On January 25, 2015, the Company entered into an Agreement and Plan of Amalgamation (Amalgamation Agreement) with Axis Capital Holdings Limited, a Bermuda exempted company (AXIS), pursuant to which, upon the consummation of the transactions contemplated by the Amalgamation Agreement, the two companies were expected to amalgamate and continue as a single Bermuda exempted company (Amalgamation).

On April 14, 2015, the Company announced the receipt of an unsolicited written proposal from EXOR S.p.A. (EXOR), a European investment company controlled by the Agnelli family, to acquire 100% of the outstanding common shares of the Company for $130 per share in cash.

On August 2, 2015, after subsequent negotiations with EXOR, the Company entered into an Agreement and Plan of Merger with Exor N.V., Pillar Ltd., a wholly owned subsidiary of Exor N.V., and, solely with respect to certain specified sections thereof, EXOR (as subsequently amended, the Merger Agreement). The transaction would be effected by a merger of Pillar Ltd. with and into the Company, with the Company continuing as the surviving company and a wholly owned subsidiary of Exor N.V. (Merger). Pursuant to the terms of the Merger Agreement, each PartnerRe common share issued and outstanding immediately prior to the effective time of the Merger shall automatically be canceled and converted into the right to receive (i) $137.50 in cash per share and (ii) be entitled to receive a one-time special pre-closing cash dividend in the amount of $3.00 per common share.

In addition, under the terms of the Merger Agreement, EXOR committed to either (i) a 100 basis points increase in the current applicable preferred share dividend rate, such increase to be effected through an exchange offer and to be conditional and contingent upon the Company obtaining a private letter ruling from the U.S. Internal Revenue Service (IRS) that the enhanced terms will not be treated as fast-pay stock (within the meaning of Treasury Regulations Section 1.7701(l)-3(b)) for U.S. federal income tax purposes or (ii) if such private letter ruling is not obtained prior to closing of the transaction, pay a cash payment of approximately $42.7 million in aggregate (equal to $1.25 per preferred share) to the holders of record of the Company’s preferred shares as at the effective time of the Merger subject and subsequent to the closing of the transaction. On February 17, 2016, the Company announced that the IRS had indicated that it will not grant a private letter ruling clarifying the tax shelter reporting obligations applicable to the surviving company’s preferred shares.

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As such, following the closing, EXOR will pay a cash payment of approximately $42.7 million in aggregate to the holders of record of the Company's preferred shares as at the effective time of the Merger and the Company will use commercially reasonable efforts to launch an exchange offer after the closing of the Merger, referred to as the Alternate Exchange Offer in the Merger Agreement, whereby participating preferred shareholders would receive newly issued preferred shares reflecting, subject to certain exceptions contained in the existing preferred shares, an extended call date of the fifth anniversary of the date of issuance and a restriction on payment of dividends on common shares to an amount not exceeding 67% of net income until December 31, 2020. The terms of the newly issued preferred shares would be otherwise identical in all material respects to the Company's applicable existing preferred shares.

The Company's shareholders will have the option to elect to receive payment of the merger consideration in a currency other than U.S. dollars directly through an affiliate of Computershare Trust Company, N.A. (Computershare). Any PartnerRe shareholder can make such an election by contacting Computershare at 1-855-396-2084 if within the USA or at 1-781-575-2765 (if calling from outside the United States). The exchange rate for one U.S. dollar expressed in the currency elected by any PartnerRe shareholder will be based on the prevailing market rates available to Computershare on the date of the currency conversion less commercially reasonable spreads charged by Computershare and the bank exchanging the currency. Neither the Company nor Computershare or any of their affiliates will be responsible for any costs associated with the election by any PartnerRe shareholder. Please contact Computershare directly for further information regarding currency elections in connection with the Merger.

In connection with the execution of the Merger Agreement with EXOR, the Company and AXIS terminated the Amalgamation Agreement. On August 3, 2015, the Company paid AXIS a termination fee and reimbursement of expenses of $315 million (AXIS Termination Fee).

On November 19, 2015, the Merger with EXOR was approved by the Company's shareholders and the consummation of the Merger is pending certain regulatory approvals and other customary closing conditions. In addition, the Board of Directors (BOD) declared the special dividend, which is conditional and contingent upon the issuance of the certificate of merger by the Bermuda Registrar of Companies. The parties expect to complete the Merger in the first quarter of 2016, although there can be no assurances that the parties will be able to do so.

Pursuant to the Merger Agreement, promptly following the closing, the Company expects to delist its common shares from the New York Stock Exchange (NYSE) and to deregister the common shares under the Securities Exchange Act. The Company's preferred shares will remain registered under the Securities Exchange Act. As a company whose only listed securities on the NYSE will be preferred shares, the Company will not be required to comply with certain NYSE corporate governance requirements that are applicable to companies that have listed common stock, including (i) the requirement for the board of directors to have a majority of independent directors and (ii) the requirement to establish Compensation and Nominating and Corporate Governance Committees, each comprised entirely of independent directors, or otherwise ensure that the compensation of the company's executive officers and nominees for directors are determined or recommended to the board of directors by the independent members of the board of directors.

In addition, the Company may qualify as a "foreign private issuer" (as defined in Rule 3b-4 of the Securities Exchange Act) on the last business day of its second fiscal quarter. In such case, the Company may start using the forms and rules applicable to foreign private issuers. Foreign private issuers are not required, among other things, to comply with the Securities Exchange Act rules governing proxy statements or the requirement to file quarterly reports on Form 10-Q. In addition, officers, directors and 10% shareholders of foreign private issuers are not subject to the reporting and short-swing profit disgorgement provisions of Section 16 of the Securities Exchange Act.

See Risk Factors in Item 1A of Part I of this report. Except as otherwise explicitly provided herein, all discussions in this report are with respect to PartnerRe Ltd. as a standalone entity.

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Business Strategy

The Company is in the business of assessing and assuming risk for an appropriate return. The Company creates value through its ability to understand, evaluate, diversify and distribute risk. Its strategy is founded on a capital-based risk appetite and the selected risks that Management believes will allow the Company to meet its goals for appropriate profitability and risk management within that appetite. Management believes that this construct allows the Company to balance cedants' need for confidence of claims payment with its shareholders' need for an appropriate return on their capital. Compound annual growth in diluted tangible book value per common share and common share equivalents outstanding plus dividends is the prime metric used by Management to measure the Company's performance. Other important measures include operating earnings or loss attributable to PartnerRe Ltd. common shareholders, operating earnings or loss per common share and common share equivalents outstanding (diluted operating earnings or loss per share), operating return on beginning diluted book value per common share and common share equivalents outstanding (Operating ROE) and Group Adjusted Return on Equity (Group AROE). These measures are referred to as non-GAAP financial measures within the meaning of Regulation G and investors should consider these non-GAAP measures in addition to, and not as a substitute for, measures of financial performance prepared in accordance with GAAP. See Key Financial Measures in Item 7 of Part II of this report for a detailed discussion of the key measures used by the Company to evaluate its financial performance, including definitions and basis of calculation.

The Company has adopted the following five-point strategy:

We are diversified across products and insurance markets: PartnerRe writes most lines of reinsurance and writes selected specialty insurance lines of business to further diversify its earnings stream and to provide access to risks that position the Company for future growth. Management believes diversification is a competitive advantage, which increases return per unit of risk, provides access to risk worldwide and reduces the overall volatility of results. Diversification is also the cornerstone of the Company's risk management approach. The (re)insurance business is cyclical, but cycles by line of business and by geography are rarely synchronized.

We have an appetite for risk provided it helps us deliver superior risk-adjusted returns: PartnerRe's products address accumulation risks, complex coverage issues and large exposures faced by clients. The Company's book of business is focused on severity lines of business such as casualty, catastrophe, specialized property and aviation. The Company is willing to assume such above average risk, but only if the pricing implies significantly above average risk-adjusted returns. The Company's diversification enables it to assume risks that are individually large for our clients, but are more easily diversified within PartnerRe's portfolio. The Company also writes frequency lines of business such as standard property, motor and life, which have historically provided modestly lower levels of returns with less volatility.

We manage our capital to optimize long-term returns while maintaining an appropriate risk profile: PartnerRe's business is cyclical and the Company responds to that reality. The Company seeks to manage its capital to optimize shareholder returns over the reinsurance cycle, but it will not unbalance the portfolio by writing only the business that offers the highest return at any point in time. In order to manage capital appropriately across a portfolio and over a reinsurance cycle, the Company believes two things are critical: an appropriate and common measure of risk-adjusted performance and the ability and willingness to redeploy capital for its most efficient and effective use, either within the business or by returning capital to shareholders. To achieve effective and efficient capital allocation, the Company uses Operating ROE as a portfolio management tool, supported by strong actuarial and financial analysis.

We create value through superior risk evaluation and intelligent portfolio and relationship management: The Company's technical underwriting, actuarial and portfolio management skills enable the Company to create value by understanding, valuing, diversifying, and distributing risk. The Company's objective is overall portfolio profitability. The aim is not to select a few highly profitable transactions in any year, but to build sustainable portfolios that can deliver superior returns over several years and utilize retrocessional coverage to achieve these overall portfolio profitability objectives. While our primary focus is assuming risk for our own account, we are open to intermediating risk in order to optimize our retained portfolio and enhance overall returns.

We enhance overall returns through prudent financial and investment management and an efficient support framework: Strong underwriting must be complemented with prudent financial management, careful reserving, superior asset management and efficient support in order to achieve the Company's targeted returns. The Company's principal business is the assumption of reinsurance and insurance risk and, when selecting asset strategies and support services, the Company’s priority is to support the reinsurance operations. The Company is willing to take some additional risk on its assets if it helps us generate extra return, but this risk-taking is managed so that it will not put at risk the reinsurance operations. We will not use insurance or reinsurance as a means of raising funds to pursue other goals.

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Reinsurance and Insurance Operations
General
The Company provides reinsurance and certain specialty insurance lines for its clients in approximately 150 countries around the world. The Company’s principal offices are located in Hamilton (Bermuda), Dublin, Greenwich (Connecticut, U.S.), Paris, Singapore and Zurich.
Through its subsidiaries and branches, the Company provides reinsurance or insurance of non-life and life risks to ceding companies (primary insurers, cedants or reinsureds). Reinsurance is offered on either a proportional or non-proportional basis through treaties or facultative reinsurance.
In a proportional (or quota share) treaty reinsurance agreement, the reinsurer assumes a proportional share of the original premiums and losses incurred by the cedant. The reinsurer pays the ceding company a commission, which is generally based on the ceding company’s cost of acquiring the business being reinsured (including commissions, premium taxes, assessments and miscellaneous administrative expenses) and may also include a profit.
In a non-proportional (or excess of loss) treaty reinsurance agreement the reinsurer indemnifies the reinsured against all or a specified portion of losses on underlying insurance policies in excess of a specified amount, which is called a retention or attachment point. Non-proportional business is written in layers and a reinsurer or group of reinsurers accepts a band of coverage up to a specified amount. The total coverage purchased by the cedant is referred to as a program and is typically placed with predetermined reinsurers in pre-negotiated layers. Any liability exceeding the upper limit of the program reverts to the ceding company.
In a facultative (proportional or non-proportional) reinsurance agreement the reinsurer assumes individual risks. The reinsurer separately rates and underwrites each risk rather than assuming all or a portion of a class of risks as in the case of treaty reinsurance.
In addition, the Company provides certain specialty insurance lines of business, which include certain business written in aviation, energy, engineering, marine, multiline, specialty casualty, specialty property, health and other lines.
The Company monitors the performance of its operations in three segments, Non-life, Life and Health and Corporate and Other. Segments and the sub-segments of the Company’s Non-life segment represent markets that are reasonably homogeneous in terms of geography, client types, buying patterns, underlying risk patterns and approach to risk management. The composition of the Non-life and Life and Health segments is described in more detail below. Corporate and Other is comprised of the Company's investment and corporate activities, including other expenses. See also the description of the Company’s segments and sub-segments as well as a discussion of how the Company measures its segment results in Note 21 to Consolidated Financial Statements included in Item 8 of Part II of this report.
The Company’s gross premiums written by segment for the years ended December 31, 2015, 2014 and 2013 were as follows (in millions of U.S. dollars):

	2015	2014	2013
Non-life segment	$4,277	$4,667	$4,590
Life and Health segment	1,271	1,265	972
Corporate and Other segment	—	—	8
Total	$5,548	$5,932	$5,570

The Company’s Non-life and Life and Health businesses are geographically diversified with premiums being written on a worldwide basis. See Note 21 to Consolidated Financial Statements in Item 8 of Part II of this report for additional disclosure of the geographic distribution of gross premiums written and financial information about segments and sub-segments.
Non-life Segment
The Non-life segment is divided into four sub-segments, North America, Global (Non-U.S.) Property and Casualty (Global (Non-U.S.) P&C), Global Specialty and Catastrophe. The North America sub-segment includes agriculture, casualty, credit/surety, motor, multiline, property and other risks generally originating in the U.S. The Global (Non-U.S.) P&C sub-segment includes casualty, motor and property business generally originating outside of the U.S. The Global Specialty sub-segment is comprised of business that is generally considered to be specialized due to the

sophisticated technical underwriting required to analyze risks, and is global in nature. This sub-segment consists of several lines of business for which the Company believes it has developed specialized knowledge and underwriting capabilities. These lines of business include agriculture, aviation/space, credit/surety, energy, engineering, marine, multiline, specialty casualty, specialty property and other lines. The Catastrophe sub-segment is comprised of the Company’s catastrophe line of business.

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The gross premiums written in each of the Company's Non-life sub-segments for the years ended December 31, 2015, 2014 and 2013 were as follows (in millions of U.S. dollars):

Non-life sub-segment	2015		2014		2013	
North America	$1,604	38 %	$1,642	35 %	$1,601	35 %
Global (Non-U.S.) P&C	735	17	803	17	818	18
Global Specialty	1,556	36	1,797	39	1,676	36
Catastrophe	382	9	425	9	495	11
Total	$4,277	100 %	$4,667	100 %	$4,590	100 %

The gross premiums written in each Non-life sub-segment for the years ended December 31, 2015, 2014 and 2013, and the year over year comparisons, are described in Results by Segment in Item 7 of Part II of this report.

Lines of Business

The gross premiums written by line of business in the Company's Non-life segment for the years ended December 31, 2015, 2014 and 2013 were as follows (in millions of U.S. dollars):

Line of business	2015		2014		2013	
Property and casualty						
Casualty	$634	15 %	$670	14 %	$660	14 %
Motor	353	8	394	8	365	8
Multiline and other	368	9	282	6	211	4
Property	584	14	642	14	670	15
Specialty						
Agriculture	635	15	673	14	627	14
Aviation / Space	195	4	245	5	231	5
Catastrophe	382	9	425	9	495	11
Credit / Surety	345	8	399	9	354	8
Energy	63	1	83	2	91	2
Engineering	155	4	174	4	225	5
Marine	239	6	329	7	360	8
Specialty casualty	147	3	171	4	140	3
Specialty property	177	4	180	4	161	3
Total Non-life segment	$4,277	100 %	$4,667	100 %	$4,590	100 %

Gross premiums written and the distribution of gross premiums written by line of business in the Non-life segment vary between years as a result of changes in the allocation of capital among lines of business driven by the Company's response to market conditions and risk assessment, the timing of renewals of treaties, a change in treaty structure, premium adjustments reported by cedants, foreign exchange fluctuations and other factors. The year over year comparison of major changes in the distribution of gross premiums written by line of business for the years ended December 31, 2015, 2014 and 2013 is described in Results by Segment — Non-life Segment in Item 7 of Part II of this report.

The following discussion summarizes the business written in each line of business in the Company's Non-life segment.

Agriculture—The Company reinsures, primarily on a proportional basis, agricultural yield and price/revenue risks related to flood, drought, hail and disease related to crops, livestock and aquaculture.

Aviation/Space—The Company provides specialized reinsurance and insurance protection for airline, general aviation and space business. The reinsurance is provided on both a proportional and non-proportional basis and through facultative arrangements. The space business relates to coverages for satellite assembly, launch, orbit and operation for commercial space programs.

Casualty—The Company's casualty business includes third party liability, employers' liability, workers' compensation and personal accident coverages written on both a proportional and non-proportional basis.

Catastrophe—The Company provides property catastrophe reinsurance protection, written primarily on a non-proportional basis, against the accumulation of losses caused by windstorm, earthquake, tornado, tropical cyclone, flood or by any other natural hazard that is covered under a comprehensive property policy. Through the use of underwriting tools based on proprietary computer

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models developed by its research team, the Company combines natural science with highly professional underwriting skills in order to offer capacity at a price commensurate with the risk.

Credit/Surety—The Company provides credit reinsurance, written primarily on a proportional basis, to mortgage guaranty insurers, government sponsored entities and commercial credit insurers. The Company’s surety line relates primarily to bonds and other forms of security written by specialized surety insurers, and is written primarily on a proportional basis.

Energy (Energy Onshore)—The Company provides reinsurance and insurance coverage for the onshore oil and gas industry, mining, power generation and pharmaceutical operations. The reinsurance is provided predominantly on a proportional basis and through facultative arrangements.

Engineering—The Company provides reinsurance and insurance for engineering projects, large construction and erection projects throughout the world. The reinsurance is offered mainly on a proportional basis and through facultative arrangements.

Marine (Marine/Energy Offshore)—The Company provides reinsurance and insurance protection and technical services relating to marine hull, cargo, transit and offshore oil and gas operations. The reinsurance is offered predominantly on a proportional basis and through facultative arrangements.

Motor—The Company’s motor business includes reinsurance coverages for third party liability and property damage risks arising from both passenger and commercial fleet automobile coverages written by cedants. This business is written on a proportional and non-proportional basis.

Multiline—The Company’s multiline business provides both property and casualty reinsurance coverages written on both a proportional and non-proportional basis and whole account coverages written on a proportional basis.

Property—Property business provides reinsurance coverage to insurers for property damage or business interruption losses resulting from fires, catastrophes and other perils covered in industrial and commercial property and homeowners’ policies and is written on both a proportional and non-proportional basis. The Company’s most significant exposure is typically to losses from windstorm, tornado and earthquake, although the Company is exposed to losses from sources as diverse as freezes, riots, floods, industrial explosions, fires, hail and a number of other loss events. The Company’s predominant exposure under these property coverages is to property damage. However, other risks, including business interruption and other non-property losses may also be covered under a property reinsurance contract when arising from a covered peril. The Company’s property reinsurance treaties generally exclude certain risks such as war, nuclear, biological and chemical contamination, radiation and environmental pollution.

Specialty Casualty—The Company provides specialized reinsurance and insurance protection primarily for non-U.S. casualty business that requires specialized underwriting expertise due to the nature of the underlying risk. The reinsurance protection is offered on a proportional, non-proportional or facultative basis.

Specialty Property—The Company provides specialized reinsurance and insurance protection that requires specialized underwriting expertise due to the nature of the underlying risk. The reinsurance protection is offered on a proportional, non-proportional or facultative basis.

In addition to the catastrophe line of business, certain other lines of business, including, but not limited to, the property, marine, energy, specialty property and multiline lines of business, also have exposure to catastrophe losses arising from natural catastrophes, such as hurricanes, windstorms, floods, tornadoes and earthquakes.

Distribution

The Company’s Non-life business is produced both through brokers and through direct relationships with insurance companies. In North America, business is primarily written through brokers, while in the rest of the world, the business is written on both a direct and broker basis.

For the year ended December 31, 2015, the Company had two brokers that individually accounted for 10% or more of its total Non-life gross premiums written: Marsh (including Guy Carpenter) accounted for approximately 27% of total Non-life gross premiums written; and the Aon Group (including the Benfield Group) accounted for approximately 22% of total Non-life gross premiums written.

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The combined percentage of gross premiums written through these two brokers by Non-life sub-segment for the year ended December 31, 2015 was as follows:

Non-life sub-segment	Percentage	
North America	63	%
Global (Non-U.S.) P&C	28	
Global Specialty	38	
Catastrophe	75	

Competition

The Company competes with other reinsurers and certain insurers, some of which have greater financial, marketing and management resources than the Company, and it also competes with new market entrants, and, specifically in the catastrophe line of business, with alternative capital sources and insurance-linked securities. Competition in the types of reinsurance and insurance that the Company underwrites is based on many factors, including the perceived and relative financial strength, pricing and other terms and conditions, services provided, ratings assigned by independent rating agencies, speed of claims payment and reputation and experience in the lines of business to be written.

The Company’s competitors include independent reinsurance companies, subsidiaries or affiliates of established worldwide insurance companies, reinsurance departments of certain primary insurance companies and, specifically in the catastrophe line of business, alternative capital sources and insurance-linked securities. Management believes that the Company’s major competitors are the larger European, U.S. and Bermuda-based international reinsurance companies, as well as specialty reinsurers and regional companies in certain local markets. These competitors include, but are not limited to, Munich Re, Swiss Re, Everest Re Group Ltd., Hannover Re, SCOR SA and the reinsurance operations of certain primary insurance companies, such as Chubb Limited (formerly ACE Limited), Arch Capital Group Ltd., AXIS and XL Catlin.

Management believes the Company ranks among the world’s largest professional reinsurers and is well positioned in terms of client services and highly technical underwriting expertise. Management also believes that the Company’s global franchise and diversified platform, which allows the Company to provide broad risk solutions across many lines of business and geographies, is increasingly attractive to cedants who are choosing to utilize fewer reinsurers by consolidating their reinsurance panels and focus on those reinsurers who can cover more than one line of business. Furthermore, the Company’s capitalization and strong financial ratios allow the Company to offer security to its clients.

Life and Health Segment

Lines of Business

The Company’s Life and Health segment includes the mortality, longevity and health lines of business written primarily in the United Kingdom (U.K.), Ireland and France and accident and health business written in the U.S.

At the time of the acquisition of PartnerRe Health in December 2012, PartnerRe Health operated as a Managing General Agent (MGA), writing all of its business on behalf of third-party insurance companies and earning a fee for producing the business, as well as participating in a portion of the original business that was ceded to PartnerRe Health by these third parties based on quota share agreements. During 2013, the Company obtained the necessary licenses and approvals and since January 1, 2014, virtually all of the PartnerRe Health business has originated directly, without the use of third-party insurance companies. This transition, combined with growth in the underlying business, continues to affect the year over year comparability with increased gross premiums written in the accident and health line of business in 2015 compared to 2014 and 2013.

The gross premiums written by line of business in the Company’s Life and Health segment for the years ended December 31, 2015, 2014 and 2013 (in millions of U.S. dollars) were as follows:

Line of business	2015			2014			2013		
Accident and health	$399	31	%	$325	26	%	$144	15	%
Longevity	306	24		299	23		249	26	
Mortality	566	45		641	51		579	59	
Total Life and Health segment	$1,271	100	%	$1,265	100	%	$972	100	%

The gross premiums written in the Life and Health segment for the years ended December 31, 2015, 2014 and 2013, and the year over year comparisons, are described in Results by Segment in Item 7 of Part II of this report.
The following discussion summarizes the business written in the Company's Life and Health segment by line of business.

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Accident and health—The Company provides reinsurance coverage to primary life insurers with respect to individual and group health risks. PartnerRe Health writes specialty accident and health business, predominantly in the U.S., including Health Maintenance Organizations (HMO) reinsurance, medical reinsurance and provider and employer excess of loss programs.

Longevity—The Company provides reinsurance coverage to employer sponsored pension schemes and primary life insurers who issue annuity contracts offering long-term retirement benefits to consumers, who, in turn, seek protection against outliving their financial resources. Longevity business is written on a long-term, proportional basis primarily in the U.K. The Company's longevity portfolio is subdivided into standard and non-standard annuities. The non-standard annuities are annuities sold to consumers with aggravated health conditions and are usually medically underwritten on an individual basis. The main risk the Company is exposed to by writing longevity business is an increase in the future life span of the insured compared to the expected life span.

Mortality—The Company provides reinsurance coverage to primary life insurers and pension funds to protect against individual and group mortality and disability risks. Mortality business is written primarily on a proportional basis through treaty agreements. Mortality business is subdivided into death and disability covers (with various riders) primarily written in Continental Europe, term assurance and critical illness (TCI) primarily written in the U.K. and Ireland, and guaranteed minimum death benefit (GMDB) primarily written in Continental Europe. The Company also writes certain treaties on a non-proportional basis, primarily in France.

Other than gross premiums written, Management uses reinsurance business in force to measure the growth of the Company's mortality business. Reinsurance business in force reflects the addition or acquisition of new mortality business, offset by terminations (e.g., voluntary surrenders of underlying life insurance policies, lapses of underlying policies, deaths of insureds, and the exercises of recapture option by cedants), changes in foreign exchange, and any other changes in the amount of insurance in force. The term "in force" refers to the aggregate insurance policy face amounts, or net amounts at risk. The net assumed business in force for the mortality line of business was \$179 billion, \$196 billion and \$210 billion at December 31, 2015, 2014 and 2013, respectively. The business in force at December 31, 2015 has decreased compared to 2014 and 2013 primarily due to the impact of foreign exchange.

Distribution

The Company's Life and Health business is produced both through brokers and through direct relationships with insurance companies. For the year ended December 31, 2015, one broker, the Aon Group (including the Benfield Group), accounted for 11% of the Life and Health segment's total gross premiums written. No other broker contributed more than 5% and no one cedant accounted for more than 8% of the Life and Health segment's total gross premiums written.

Competition

For the Company's Life business, the competition differs by location but generally includes multi-national reinsurers and local reinsurers or state-owned insurers in the U.K., Ireland and Continental Europe for its mortality and longevity lines of business. The competition specifically related to the PartnerRe Health business generally includes other specialty accident and health insurance and reinsurance providers in the U.S. and departments of worldwide insurance and reinsurance companies.

Reserves

General

Loss reserves represent estimates of amounts an insurer or reinsurer ultimately expects to pay in the future on claims incurred at a given time, based on facts and circumstances known at the time that the loss reserves are established. It is possible that the total future payments may exceed, or be less than, such estimates. The estimates are not precise in that, among other things, they are based on predictions of future developments and estimates of future trends in claim severity, frequency and other variable factors such as inflation. During the loss settlement period, it often becomes necessary to refine and adjust the estimates of liability on a claim either upward or downward. Despite such adjustments, the ultimate future liability may exceed or be less than the revised estimates.

As part of the reserving process, insurers and reinsurers review historical data and anticipate the impact of various factors such as legislative enactments and judicial decisions that may affect potential losses from casualty claims, changes in social and political attitudes that may increase exposure to losses, mortality and morbidity trends and trends in general economic conditions. This process assumes that past experience, adjusted for the effects of current developments, is an appropriate basis for anticipating future events.

See Critical Accounting Policies and Estimates in Item 7 of Part II of this report for a discussion of the Company's reserving process.

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Non-life Reserves

The reconciliation of the gross and net Non-life reserves for unpaid losses and loss expenses for the years ended December 31, 2015, 2014 and 2013 was as follows (in millions of U.S. dollars):

	2015	2014	2013
Gross liability at beginning of year	$9,746	$10,646	$10,709
Reinsurance recoverable at beginning of year	(215)	(267)	(291)
Net liability at beginning of year	9,531	10,379	10,418
Net incurred losses related to:			
Current year	3,024	3,123	3,119
Prior years	(831)	(660)	(721)
	2,193	2,463	2,398
Change in Paris Re Reserve Agreement	(9)	(26)	(50)
Net paid losses	(2,423)	(2,799)	(2,402)
Effects of foreign exchange rate changes	(417)	(486)	15
Net liability at end of year	8,875	9,531	10,379
Reinsurance recoverable at end of year	190	215	267
Gross liability at end of year	$9,065	$9,746	$10,646

Net Non-life reserves for unpaid losses and loss expenses decreased from $9,531 million at December 31, 2014 to $8,875 million at December 31, 2015. This decrease primarily reflected the impact of foreign exchange, net favorable loss development on prior accident years and loss payments, which were partially offset by current year net losses incurred. Net Non-life reserves for unpaid losses and loss expenses decreased from $10,379 million at December 31, 2013 to $9,531 million at December 31, 2014. This decrease primarily reflected the impact of foreign exchange, net favorable loss development on prior accident years and a relatively high level of loss payments, mainly driven by the settlement of the 2013 crop year in the agriculture line of business of the North America sub-segment, which were partially offset by current year net losses incurred.

The net incurred losses for the year ended December 31, 2015 relating to the current and prior accident years by Non-life sub-segment were as follows (in millions of U.S. dollars):

	North America	Global (Non-U.S.) P&C	Global Specialty	Catastrophe	Total Non-life segment
Net incurred losses related to:					
Current year	$ 1,165	$570	$1,219	$70	$3,024
Net prior year favorable loss development	(284)	(97)	(434)	(16)	(831)
Total net incurred losses	$ 881	$473	$785	$54	$2,193

The net favorable loss development on prior accident years of $831 million for the year ended December 31, 2015 primarily resulted from favorable loss emergence, as losses reported by cedants were lower than expected. The most significant drivers of the Non-life net prior year favorable loss development during the year ended December 31, 2015 were the casualty line of business in the North America sub-segment, the property line of business in the Global (Non-U.S.) P&C sub-segment and the marine, aviation/space, specialty casualty and energy lines of business in the Global Specialty sub-segment. See Management's Discussion and Analysis of Financial Condition and Results of Operations for a more detailed discussion of net prior year favorable loss development by Non-life sub-segment and Critical Accounting Policies and Estimates—Losses and Loss Expenses and Life Policy Benefits in Item 7 of Part II of this report for a discussion of the net prior year favorable loss development by reserving lines for the Company's Non-life operations.

Reserve Agreement

On December 21, 2006, Colisée Re (formerly known as AXA RE), a subsidiary of AXA SA (AXA) transferred substantially all of its assets and liabilities, other than specified reinsurance and retrocession agreements and certain other excluded assets and liabilities, to PARIS RE Holdings SA's French operating subsidiary Paris Re France (AXA Transfer) (Paris Re France). The AXA Transfer was immediately followed by the acquisition by Paris Re of all the outstanding capital stock of Paris Re France (AXA Acquisition). In connection with the AXA Acquisition, AXA, Colisée Re and Paris Re entered into various agreements (2006 Acquisition Agreements).

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On the closing of the AXA Acquisition, AXA, Colisée Re and Paris Re France entered into a reserve agreement (Reserve Agreement). The Reserve Agreement provides that AXA and Colisée Re shall guarantee reserves in respect of Paris Re France and subsidiaries acquired in the AXA Acquisition. The Reserve Agreement covers losses incurred prior to December 31, 2005, including any adverse development in respect thereof, by the subsidiaries of Colisée Re transferred to Paris Re France as part of the 2006 Acquisition Agreements, in respect of reinsurance policies issued or renewed, and in respect of which premiums were earned, on or prior to December 31, 2005 (but excluding any amendments thereto effected after the closing of the 2006 Acquisition Agreements).

Pursuant to the Reserve Agreement, AXA has agreed to cause AXA Liabilities Managers, an affiliate of Colisée Re (AXA LM), to provide Paris Re France with periodic reports setting forth the amount of losses incurred in respect of the business guaranteed by AXA. The reserve guarantee provided by AXA and Colisée Re is conditioned upon, among other things, the guaranteed business, including all related ceded reinsurance, being managed by AXA LM.

The Reserve Agreement further contemplates that Colisée Re or Paris Re France, as the case may be, shall pay to the other party amounts equal to any deficiency or surplus in the transferred reserves with respect to losses incurred, such losses being net of any recovery by Colisée Re including through retrocessional protection, salvage or subrogation.

During the year ended December 31, 2014, the Company commuted a portion of the Reserve Agreement with Colisée Re, which resulted in a portion of reserves and investments underlying the funds held – directly managed account being returned to Colisée Re.

See Financial Condition, Liquidity and Capital Resources—Funds Held – Directly Managed in Item 7 of Part II and Note 8 to Consolidated Financial Statements in Item 8 of Part II of this report for more detail.

The rights and obligations of AXA LM with respect to the management of this business are set forth in a run off services and management agreement among AXA LM, Colisée Re and Paris Re France (Run Off Services and Management Agreement). Under the Run Off Services and Management Agreement, Paris Re has agreed that AXA LM will manage claims arising from all reinsurance and retrocession contracts subject to the Reserve Agreement, either directly or, for contracts that were issued by certain Colisée Re entities identified in the agreement, by delegation to certain other specified entities, including Paris Re France. This includes contract administration, the administration of ceded reinsurance, claims handling, settlements and business commutations. Although Paris Re France has certain consultation rights in connection with the management of the run-off of the contracts subject to the Reserve Agreement, AXA LM does not need to obtain Paris Re France's prior consent in connection with claims handling and settlements, and no consent is required for business commutations if the amount of case reserves related to contracts does not exceed €100 million in any twelve month period.

On October 1, 2010, PartnerRe Europe and Paris Re France effected a cross border merger whereby all the assets and liabilities of Paris Re France were transferred to PartnerRe Europe, including the agreements between Paris Re France and Colisée Re.

Changes in Non-life Reserves

The gross, retroceded and net reserves for unpaid losses and loss expenses for the Company's Non-life business, and the portion of the gross, retroceded and net reserves that relates to the reserves subject to the Reserve Agreement (Guaranteed Reserves), at December 31, 2015 and 2014 were as follows (in thousands of U.S. dollars):

	2015	2014
Gross reserves	$9,064,711	$9,745,806
Less: Guaranteed Reserves	521,178	581,173
Gross reserves, excluding Guaranteed Reserves	8,543,533	9,164,633
Retroceded reserves	189,234	214,349
Less: Guaranteed Reserves	7,110	6,212
Retroceded reserves, excluding Guaranteed Reserves	182,124	208,137
Net reserves	$8,875,477	$9,531,457
Net reserves, excluding Guaranteed Reserves	$8,361,409	$8,956,496

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The reconciliation of the net paid losses related to prior years and the net paid losses related to prior years, excluding the Guaranteed Reserves, for the years ended December 31, 2015, 2014 and 2013 was as follows (in thousands of U.S. dollars):

	2015	2014	2013
Net paid losses related to prior years	$2,171,883	$2,530,743	$2,159,506
Less: net paid losses on Guaranteed Reserves	28,225	97,407	82,997
Net paid losses related to prior years, excluding Guaranteed Reserves	$2,143,658	$2,433,336	$2,076,509

The Guaranteed Reserves have been excluded from the following tables that analyze the development of the Company’s net reserves for unpaid losses and loss expenses for the Company’s Non-life business given the Reserve Agreement covers any adverse or favorable development related to the reserves acquired by Paris Re in the AXA Acquisition, and therefore, they have no impact on the development of the Company’s gross and net reserves for unpaid losses and loss expenses.

The development of net reserves for unpaid losses and loss expenses for the Company’s Non-life business, excluding Guaranteed Reserves, is shown in the following table. The table begins by showing the initial reported year-end gross and net reserves, including incurred but not reported (IBNR) reserves, recorded at the balance sheet date for each of the ten years presented.

The next section of the table shows the re-estimated amount of the initial reported net reserves, excluding Guaranteed Reserves, for up to ten subsequent years, based on experience at the end of each subsequent year. The re-estimated net liabilities reflect additional information, received from cedants or obtained through reviews of industry trends, regarding claims incurred prior to the end of the preceding financial year. A redundancy (or deficiency) arises when the re-estimation of reserves is less (or greater) than its estimation at the preceding year-end. The cumulative redundancies (or deficiencies) reflect cumulative differences between the initial reported net reserves and the currently re-estimated net reserves. Annual changes in the estimates are reflected in the income statement for each year as the liabilities are re-estimated. Reserves denominated in foreign currencies are revalued at each year-end’s foreign exchange rates.

The lower section of the table shows the portion of the initial year-end net reserves, excluding Guaranteed Reserves, that were paid (claims paid) as of the end of subsequent years. This section of the table provides an indication of the portion of the re-estimated net liability that is settled and is unlikely to develop in the future. Claims paid are converted to U.S. dollars at the average foreign exchange rates during the year of payment and are not revalued at the current year foreign exchange rates. Because claims paid in prior years are not revalued at the current year’s foreign exchange rates, the difference between the cumulative claims paid at the end of any given year and the immediately previous year represents the claims paid during the year.

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Development of Loss and Loss Expense Reserves (Excluding Guaranteed Reserves subject to the Reserve Agreement)
(in thousands of U.S. dollars)

	2005	2006	2007	2008	2009[1]	2010	2011	2012	2013
Gross liability for unpaid losses and loss expenses, excluding Guaranteed Reserves	$6,737,661	$6,870,785	$7,231,436	$7,510,666	$9,248,529	$9,379,028	$10,234,291	$9,845,255	$9,913,93
Retroceded liability for unpaid losses and loss expenses, excluding Guaranteed Reserves	185,280	138,585	132,479	125,215	270,938	300,648	325,841	283,955	261,835
Net liability for unpaid losses and loss expenses, excluding Guaranteed Reserves	$6,552,381	$6,732,200	$7,098,957	$7,385,451	$8,977,591	$9,078,380	$9,908,450	$9,561,300	$9,652,09
Net liability re-estimated, excluding Guaranteed Reserves at:									
One year later	6,602,832	6,715,107	6,343,714	7,076,796	8,354,221	8,505,130	9,409,795	8,853,321	8,542,349
Two years later	6,618,112	6,165,297	6,009,194	6,686,926	7,877,438	8,076,932	8,885,350	8,047,122	7,658,879
Three years later	6,168,445	5,897,044	5,674,509	6,351,663	7,595,556	7,751,543	8,340,019	7,391,232	
Four years later	6,002,031	5,645,132	5,409,460	6,195,352	7,346,493	7,309,864	7,829,224		
Five years later	5,802,799	5,436,353	5,282,511	6,074,551	6,981,981	6,933,146			
Six years later	5,627,952	5,323,062	5,200,087	5,853,573	6,695,185				
Seven years later	5,551,669	5,264,917	5,042,978	5,689,420					
Eight years later	5,507,151	5,141,047	4,916,968						
Nine years later	5,421,683	5,008,383							
	5,307,530								

Ten years later									
Cumulative net redundancy	$1,244,851	$1,723,817	$2,181,989	$1,696,031	$2,282,406	$2,145,234	$2,079,226	$2,170,068	$1,993,21
Cumulative amount of net liability paid through:									
One year later	$1,718,996	$1,473,964	$1,340,788	$1,716,798	$2,094,379	$1,923,267	$2,376,872	$2,076,509	$2,433,33
Two years later	2,482,695	2,116,025	1,971,376	2,448,950	2,983,833	2,872,951	3,494,429	3,203,562	3,398,191
Three years later	2,948,837	2,581,022	2,470,068	2,991,497	3,599,683	3,548,021	4,317,484	3,885,043	
Four years later	3,273,808	2,932,356	2,818,018	3,359,297	4,060,903	4,065,611	4,839,270		
Five years later	3,534,003	3,183,573	3,070,717	3,636,744	4,415,890	4,396,899			
Six years later	3,713,402	3,349,279	3,268,994	3,866,859	4,646,030				
Seven years later	3,834,448	3,494,055	3,450,927	4,022,340					
Eight years later	3,940,622	3,639,726	3,575,220						
Nine years later	4,057,649	3,737,637							
Ten years later	4,135,968								

(1) Paris Re's liability for unpaid losses and loss expenses was included at December 31, 2009 for the first time. For years prior to 2009, this table excludes the reserves of the Paris Re companies acquired. Accordingly, the reserve development (net liability for unpaid losses and loss expenses at the end of the year, as originally estimated, less net liability for unpaid losses and loss expenses re-estimated as of subsequent years) for years prior to 2009 relates only to losses recorded by PartnerRe and subsidiaries not acquired in the Paris Re acquisition.

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The reconciliation of the Company’s re-estimated gross year-end reserves with the re-estimated net year-end reserves at December 31, 2015 provided above was as follows (in thousands of U.S. dollars):

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Reconciliation of gross reserves:									
Gross liability re-estimated, excluding Guaranteed Reserves	$5,473,121	$5,106,322	$4,999,533	$5,793,075	$6,893,928	$7,159,601	$8,092,874	$7,647,753	$7,863,719
Re-estimated retroceded liability, excluding Guaranteed Reserves	165,591	97,939	82,565	103,655	198,743	226,455	263,650	256,521	204,840
Net liability re-estimated, excluding Guaranteed Reserves	$5,307,530	$5,008,383	$4,916,968	$5,689,420	$6,695,185	$6,933,146	$7,829,224	$7,391,232	$7,658,879
Cumulative gross redundancy	$1,264,540	$1,764,463	$2,231,903	$1,717,591	$2,354,601	$2,219,427	$2,141,417	$2,197,502	$2,050,213

The Company’s reserve development is composed of the change in ultimate losses from what the Company originally estimated as well as the impact of the foreign exchange revaluation on reserves. The Company conducts its reinsurance operations in a variety of non-U.S. currencies and records its net reserves in the currency of the treaty, with the principal exposures being the euro, British pound, Canadian dollar and Swiss Franc. The impact of reporting the Company’s net reserves based on the foreign exchange rates at the balance sheet date can be a significant component of the cumulative redundancy or deficiency in net reserves and in some years can be the principal component. The amount of foreign exchange included in the cumulative net redundancy reported above as well as the net redundancy excluding the impact of foreign exchange movements on net reserves were as follows (in thousands of U.S. dollars):

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cumulative net redundancy	$1,244,851	$1,723,817	$2,181,989	$1,696,031	$2,282,406	$2,145,234	$2,079,226	$2,170,068	$1,993,218
Less: Cumulative net (deficiency) redundancy due to foreign exchange	(291,675)	(39,337)	452,094	99,775	376,660	302,676	319,263	526,115	710,721
	$1,536,526	$1,763,154	$1,729,895	$1,596,256	$1,905,746	$1,842,558	$1,759,963	$1,643,953	$1,282,497

Cumulative
net
redundancy
excluding
the impact
of foreign
exchange

Movements in foreign exchange rates between accounting periods have typically resulted in significant variations in the Company's loss reserves as the U.S. dollar, the Company's reporting currency, appreciated/depreciated against multiple currencies. The Company, however, generally holds investments in the same currencies as its net reserves, or enters into derivative foreign exchange contracts, with the intent of matching the foreign exchange movements on its assets and liabilities. See Quantitative and Qualitative Disclosures about Market Risk contained in Item 7A of Part II of this report for a more detailed discussion of the foreign currency risk of the Company's assets and liabilities.

The Company believes that in order to enhance the understanding of its reserve development, it is useful for investors to evaluate the Company's reserve development excluding the impact of foreign exchange. The development of initial net reserves converted at each year's average foreign exchange rates is shown in the following table (in thousands of U.S. dollars). Using the historical average foreign exchange rates for the development lines of the table has the effect of linking each year's development with that year's income statement. This table should not be considered as a substitute for the table provided above as it does not reflect a significant portion of the initial net reserve development that is due to foreign exchange revaluation.

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	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net liability for unpaid losses and loss expenses, excluding Guaranteed Reserves	$6,552,381	$6,732,200	$7,098,957	$7,385,451	$8,977,591	$9,078,380	$9,908,450	$9,561,300	$9,652,097
Net liability re-estimated, excluding Guaranteed Reserves at:									
One year later	6,300,633	6,318,157	6,681,021	6,899,642	8,499,708	8,547,923	9,280,385	8,839,801	8,991,684
Two years later	6,023,025	6,014,782	6,222,150	6,597,688	8,052,350	8,035,622	8,754,182	8,362,537	8,369,600
Three years later	5,774,643	5,640,480	5,961,748	6,300,375	7,705,719	7,696,432			