FitchRatings

Fitch Affirms PartnerRe's Ratings; Outlook Stable

Link to Fitch Ratings' Report(s):

PartnerRe Ltd.
PartnerRe Ltd. - Ratings Navigator

Fitch Ratings - Chicago - 04 December 2019:

Fitch Ratings has affirmed PartnerRe Ltd.'s (PRE) ratings, including its 'A-' Issuer Default Rating (IDR) and the 'A+' (Strong) Insurer Financial Strength (IFS) rating of Partner Reinsurance Company Ltd. The Rating Outlook is Stable.

Key Rating Drivers

The affirmation reflects the company's moderate and diverse non-life and life and health reinsurance business profile, very strong capitalization with reasonable financial leverage, strong long-term financial performance and strong reserve position.

PRE's overall business profile is viewed as "moderate" compared with all other reinsurance organizations globally. This ranking aligns with Fitch's 'a+' credit factor score and is considered to have a higher influence on PRE's rating. PRE has a moderate operating scale with net premiums written (NPW) of $5.8 billion in 2018 and total shareholders' equity of $7.3 billion as of Sept. 30, 2019. While PRE is larger than many of its more specialized reinsurance peers, its overall market position trails several of its larger, higher-rated, more diversified (re)insurance peers. Favorably, PRE writes a diverse mix of property, casualty, specialty and life and health reinsurance products that reduce its exposure to any single market segment.

Fitch views PRE's capitalization as very strong with and an 'Extremely Strong' score on Fitch's Prism factor-based capital model. PRE's financial leverage ratio (FLR) is moderate at 18.4% as of Sept. 30, 2019, down from 20.8% at year-end 2018. The decline reflects a 13% increase in total shareholders' equity during the first nine months of 2019 driven by realized and unrealized investment gains on fixed maturities and short-term investments.

PRE historically produces above-average underwriting results for its peer group, with overall average volatility. PRE's most recent five-year average (2014-2018) combined ratio and operating ratio are a very strong 94.0% and 85.8%, respectively. PRE posted a 9M19 GAAP combined ratio of 95.5%, which included 2.5 points for catastrophe losses from Hurricane Dorian and Typhoon Faxai, and 0.5 points of adverse prior-year reserve development. This is improved from 101.9% for full-year 2018, which included 9.0 points for catastrophe losses from Typhoons Jebi and Trami, Hurricanes Florence and Michael, and California wildfires, and 5.8 points of favorable prior-year reserve development.

The company posted net income of $998 million through the first nine months of 2019, due to favorable operating profitability and $765 million of net realized ($237 million) and unrealized ($527 million) investment gains. Unrealized investment gains include $263 million on fixed-income securities from a decline in interest rates and narrowing credit spreads and $244 million of unrealized gains on equities. This compares with a net loss of $132 million in full-year 2018 driven by net realized and unrealized investment losses of $390 million, primarily on fixed-income securities from an increase in interest rates and widening credit spreads.

PRE's loss reserves exhibit consistent favorable development, significantly contributing to earnings. Over the recent five-year period (2014-2018) the company produced prior-year reserve releases totaling $2.9 billion, or 13.7% of net premiums earned, averaging 6.0% and 8.3% of beginning of year reserves and shareholders' equity, respectively. Fitch expects PRE's reserve adequacy to be strong, with continued favorable development, although at levels reduced from those historically.

Fitch does not rate PRE's parent company, EXOR N.V., but views EXOR's credit quality as neutral to PRE's ratings. Fitch expects EXOR to maintain a conservative dividend policy from PRE, preferring to accumulate capital for business opportunities. EXOR made a commitment to limit common share dividends from PRE to 67% of quarterly net income until year-end 2020. PRE continues to manage its operations generally independent of EXOR, although EXOR is expected to offer reasonable support to PRE as needed.

RATING SENSITIVITIES

Key rating sensitivities that could result in an upgrade include improvement to a favorable business profile as a result of an enhanced relative competitive market position; demonstrating favorable run-rate earnings and low volatility, with a combined ratio in the low 90% range; growth in risk-adjusted capital, while maintaining an 'Extremely Strong' Prism score; an FLR at or below 20%; and fixed-charge coverage of at least 8.0x.

Key rating sensitivities that could result in a downgrade include sustained reported combined ratios above 100%, operating ratios above 90% or net income ROE below 7%; fixed-charge coverage below 6.0x; consistent adverse loss reserve development; failure to maintain at least a 'Very Strong' Prism score; an FLR above 25%; or deterioration in EXOR's credit profile.

Hybrid securities ratings could also be lowered by one notch to reflect higher nonperformance risk should Fitch view Bermuda's regulatory environment as becoming more restrictive in its supervision of (re)insurers with respect to hybrid features.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
PartnerRe Finance B LLC			
senior unsecured	LT BBB+ Affirmed		BBB+
Partner Reinsurance Company Ltd.	Ins Fin Str A+ Affirmed		A+
PartnerRe Ltd.	LT IDR A- Affirmed		A-
preferred	LT BBB Affirmed		BBB
junior subordinated	LT BBB Affirmed		BBB
PartnerRe Ireland Finance DAC			
senior unsecured	LT BBB+ Affirmed		BBB+

Additional information is available on www.fitchratings.com

The following issuer(s) did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure: PartnerRe Ltd., Partner Reinsurance Company Ltd., PartnerRe Ireland Finance DAC, PartnerRe Finance B LLC

Applicable Criteria

Insurance Rating Criteria -- Effective Nov. 18, 2019– March 1, 2020 (pub. 18 Nov 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Policy

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SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

UNSOLICITED ISSUERS

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
Partner Reinsurance Company Ltd.	-	Long Term Issuer Default Rating	Unsolicited
Partner Reinsurance Company Ltd.	-	LT Financial Strength Rating	Unsolicited

Entity/Security	ISIN/CUSIP/COUPON RATE	Rating Type	Solicitation Status
PartnerRe Ltd.	-	Long Term Issuer Default Rating	Unsolicited
PartnerRe Ireland Finance DAC EUR notes	XS1489391109	Long Term Rating	Unsolicited
PartnerRe Ltd. junior subordinated bond/note	US70212JAA34	Long Term Rating	Unsolicited
PartnerRe Ltd. perpetual preferred shares ser H	BMG686031441	Long Term Rating	Unsolicited
PartnerRe Ltd. perpetual preferred shares ser G	BMG686031367	Long Term Rating	Unsolicited
PartnerRe Ltd. preferred stock/security ser F	BMG686031284	Long Term Rating	Unsolicited
PartnerRe Ltd. perpetual preferred shares ser I	BMG686031516	Long Term Rating	Unsolicited
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