

REPORT ON EXAMINATION

OF THE

PARTNER REINSURANCE COMPANY OF THE U.S.

AS OF

DECEMBER 31, 2015

DATE OF REPORT

MAY 24, 2017

EXAMINER

KAREN GARD, CFE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

May 24, 2017

Honorable Maria T. Vullo
Superintendent
New York State Department of Financial Services
New York, New York 10004

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31434 dated September 29, 2016, attached hereto, I have made an examination into the condition and affairs of Partner Reinsurance Company of the U.S. as of December 31, 2015, and submit the following report thereon.

Wherever the designation “the Company” appears herein without qualification, it should be understood to indicate Partner Reinsurance Company of the U.S.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s administrative office located at One Greenwich Plaza, Greenwich, CT 06830.

1. SCOPE OF EXAMINATION

The Department has performed a coordinated group examination of the Company, a multi-state reinsurer. The previous examination was conducted as of December 31, 2010. This examination covered the five-year period from January 1, 2011 through December 31, 2015. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

New York is the lead state of the PartnerRe Group. The examination was performed concurrently with the examinations of the following insurers: PartnerRe America Insurance Company (“PRAIC”), a Delaware-domiciled company, and PartnerRe Insurance Company of New York (“PRNY”). The State of Delaware participated in this examination.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”), which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with New York Laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Company history
- Management and control
- Territory and plan of operation
- Holding company description
- Reinsurance
- Loss review and analysis
- Financial statement presentation
- Significant subsequent events
- Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendation contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

The Company was incorporated under the laws of New York on March 13, 1980, as the AGF Reinsurance Corporation of the United States, and it was licensed to write business on May 27 of the same year. The Company was a subsidiary of AGF Reassurances, the French corporation.

In September 1991, AGF Reassurances merged with Societe Anonyme Francaise DeReassurances (“SAFR-France”). Subsequent to the merger, in December 1991, the Company’s name was changed to SAFR Reinsurance Corporation of the U.S. In February 1997, Swiss Re Ltd acquired SAFR-France. In July 1997, PartnerRe Ltd. (“PReLtd”), a Bermuda reinsurer, acquired SAFR-France and its subsidiaries from Swiss Re Ltd.

In 1998, the Company adopted its current name. The Company’s immediate parent is PartnerRe U.S. Corporation (“PRUSC”), a holding company domiciled in the State of Delaware. In October 1998, PRUSC acquired Winterthur Reinsurance Corporation of America, which was subsequently renamed PartnerRe Insurance Company of New York (“PRNY”). Subsequent to the acquisition, PRUSC contributed 100% of PRNY’s common stock to the Company.

On December 7, 2009, PReLtd completed the acquisition of PARIS RE Holdings Ltd. (Switzerland). PARIS RE Holdings Ltd., was merged with and into a wholly owned subsidiary of PReLtd. PARIS RE America Insurance Company was acquired from Paris Re S.A. by PartnerRe Holdings S.A., on November 30, 2010. Prior to the acquisition, PARIS RE Limited (“ParisRe”), an affiliate of Paris Re American Insurance Company, had established a branch in Canada which was authorized to reinsure Canadian property and casualty risks. PReLtd merged ParisRe’s Canadian branch into the existing Canadian branch operation of Partner Reinsurance Europe Limited (“PREEL”). Effective January 1, 2011, the operations of

the Canadian branch of PREEL was restructured and the Company took over the operations of the Canadian branch.

In January 2012, PRUSC was contributed to PartnerRe Holding Europe Limited (“PreHEuro”) by PReLtd. As a result, the Company became an indirect, wholly-owned subsidiary of PReHEuro.

In April 2015, PReLtd announced the receipt of an unsolicited proposal from Exor N.V. and its controlling persons to acquire 100% of the outstanding common stock of PReLtd. After further negotiations, effective March 18, 2016, PRUS became an indirect wholly-owned subsidiary of Exor N.V. and its controlling persons (for further detail, refer to section 5 of this report).

A. Corporate Governance

Pursuant to the Company’s charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than 21 members. The board met four times during each calendar year. At December 31, 2015, the board of directors was comprised of the following seven members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
William Ronald Babcock Annandale, NJ	Chairman, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Theodore Cuyler Walker Greenwich, CT	President and Chief Executive Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Laurie Ann Desmet Guilford, CT	Executive Vice President and Chief Operating Officer, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Thomas Lester Forsyth Wilton, CT	Executive Vice President, General Counsel and Corporate Secretary, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
Richard Newell Sanford Wilton, CT	Executive Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Daniel Hickey New Canaan, CT	Executive Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.
John Spencer Peppard Huntington Station, NY	Senior Vice President, PartnerRe Insurance Company of New York Partner Reinsurance Company of the U.S.

As of December 31, 2015, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Theodore Cuyler Walker	President and Chief Executive Officer
Thomas Lester Forsyth	Executive Vice President, General Counsel and Corporate Secretary
Marta Juliana Shevchik	Senior Vice President, Chief Financial Officer and Treasurer
Laurie Ann Desmet	Executive Vice President and Chief Operations Officer

B. Territory and Plan of Operation

As of December 31, 2015, the Company was licensed to write business in 20 states, the District of Columbia, and Guam, and was approved and/or accredited to write reinsurance business in an additional 30 states, and Canada.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass

<u>Paragraph</u>	<u>Line of Business</u>
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
17	Credit
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also authorized to transact workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshore and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress, as amended; 33 USC Section 901 et seq. as amended) and as authorized by Section 4102(c) of the New York Insurance Law to reinsure risks of every kind or description. In addition, the Company is licensed to do within this State the business of special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of \$35,000,000. However, pursuant to Section 6302(c)(1) of the New York Insurance Law, in order to be licensed to write special risks, the Company is required to maintain surplus as regards policyholders of at least 200% of its authorized control level risk based capital; therefore, the Company was required to maintain a minimum surplus to policyholders in the amount of \$701,430,376 as of December 31, 2015.

The Company and its subsidiary PRNY entered into a quota share reinsurance agreement, effective January 1, 1999, covering all lines of business under which the Company agreed to assume 100% of PRNY's new and renewal business for underwriting years 1999 and subsequent.

The Company and PRAIC entered into a quota share reinsurance agreement, effective January 1, 2015, whereby the Company agreed to assumed 90% of PRAIC's new and renewal business covering all

lines for the 2015 underwriting year. The Company maintained a similar quota share agreement with PRAIC for the underwriting years 2014 and 2013.

In August 2015, the Company notified the Department that it began the process of establishing a wholly-owned subsidiary in the People's Republic of China. This subsidiary, to be known as Partner Reinsurance China, Ltd., is intended to provide multi-line reinsurance protection to insurance companies. Both life and non-life business lines will be offered on a treaty and facultative basis. The application is currently under review by the China Insurance Regulatory Commission.

The Company writes property and casualty reinsurance primarily through intermediaries on a treaty basis for insurance companies located predominantly in the United States. The following schedule shows the premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Assumed from Affiliates</u>	<u>Assumed from Non-Affiliates</u>	<u>Total Premiums Assumed</u>
2011	\$ 9,342,427	\$1,158,781,132	\$1,168,123,559
2012	\$ 14,500,379	\$1,219,708,729	\$1,234,209,108
2013	\$ 27,450,417	\$1,595,152,054	\$1,622,602,471
2014	\$243,831,297	\$1,477,642,975	\$1,721,474,272
2015	\$299,296,348	\$1,479,370,096	\$1,778,666,444

In 2015, assumed premiums from affiliates was comprised of:

- \$9,332,437 attributable to satellite premiums written by PRNY (PRNY's satellite coverage provides protection for large commercial satellites from ground to orbit and during the first year in orbit);
- \$289,963,911 attributable to business written by PRAIC, of which \$249,517,239 is health business.

The growth in assumed premiums from affiliates during the examination period was primarily due to the writings of PRAIC, which was taken out of run-off in December 2012 to enter the health reinsurance market in the U.S.

In 2015, assumed premiums from non-affiliates was primarily comprised of:

- \$429,591,460 attributable to allied lines (of which \$406,847,125 was for crop business);
- \$439,693,757 attributable to other liability-occurrence (of which \$180,711,208 was for to umbrella, and \$114,107,575 was for professional liability business);
- \$177,782,667 attributable to non-proportional liability.

The aggregate of assumed premiums from allied lines, other liability-occurrence, and non-proportional liability represent 71% of total assumed premiums from non-affiliates, or approximately 60% of total written premium.

The Company is a professional reinsurer. Its business operations consist of the assumption of insurance originally written by primary insurers or reinsurers. The Company's assumed reinsurance program consists mainly of property and casualty/multi-line coverage assumed on a quota share and excess of loss basis, pursuant to the terms of treaty agreements with both authorized and unauthorized cedants. Additionally, the Company participates in one mandated pool, which is reflected in its assumed reinsurance activity. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle ("SSAP") No. 62 for all of its assumed reinsurance business.

Effective January 1, 2013, the Company and its affiliate PRAIC entered into a Loss Portfolio Transfer reinsurance contract whereby the Company agreed to assume 100% of PRAIC's reinsurance liabilities recorded at December 31, 2012, including unearned premium reserves. There was no surplus gain from this transaction.

All agreements subject to Section 1505(d)(2) of the New York Insurance Law were submitted to the Department as required.

C. Reinsurance Ceded

The Company utilizes retrocessions conservatively and has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Mortgage</u>	
Mortgage GSE Retrocession Quota Share	50% quota share, limit \$250,000,000.
Mortgage PMI Retrocession Quota Share	50% quota share.
<u>Crop</u>	
Multiple Peril Crop Insurance Industry Loss Warranty	In the event the net loss ratio is between 100% and 120%, will pay up to \$20,000,000 excess of ultimate net aggregate loss of \$10,000.
US Crop Hail Insurance Industry Loss Warranty	In the event the Company sustains a net retained loss equal to \$50,000 and the crop hail industry gross loss ratio is greater than 110%, reinsurer will pay up to 120%. Limit \$10,000,000.
Multiple Peril Crop Excess of Loss 100% Quota Share	100% of four MPCCI programs. Aggregate limit is 95.83% of \$45,895,485.
Multiple Peril Crop Insurance Stop Loss 4 layers	Covers business written from a specific MPCCI Insurer via quota share. 4 layers attaching at 101.5% subject to a total limit of \$11,750,000.
Multiple Peril Crop Multi-Year Stop Loss 4 layers	Covers business written from a specific MPCCI Insurer via quota share. 2014 First excess – excess of 101% of assumed net premiums earned. Limit is the lesser of 95% of \$11,235,302 or 95% of 6% of assumed net premiums earned; 2014 Second excess - 101% of assumed net premiums earned plus the lesser of \$11,235,302 or 6% of the assumed net premiums earned. Limit is the lesser of 95% of \$14,980,403 or 95% of 8% of the assumed net premiums earned;

Type of TreatyCession

2015 First excess – 101% of the assumed net premiums earned. Limit is 95% of 6% of the assumed net premiums earned;

2015 Second excess – 101% of the assumed net premiums earned plus 6% of the assumed net premiums earned. Limit is 95% of 8% of the assumed net premiums earned.

Multiple Peril Crop Insurance Stop Loss
2 layers

Covers business written a specific MPCCI Insurer via quota share.

First excess – 103% of assumed 2015 MPCCI premium. Limit is the lesser of 95% of 4.5% of assumed 2015 MPCCI premium or 95% of \$7,500,309;

Second excess - 103% of assumed 2015 MPCCI premium plus the lesser of \$7,500,309 or 4.5% of assumed 2015 MPCCI premium. Limit is the lesser of 95% or 7.5% of assumed 2015 MPCCI premium or 95% of \$12,500,515.

Multiple Peril Crop Whole Account Quota Share

10% quota share of remaining liability after cessions under all other inuring retrocession reinsurance with respect to MPCCI business.

Catastrophe

Catastrophe Aggregate Excess of Loss

\$250,000,000 excess of \$500,000,000 (Section A - peak territories); \$125,000,000 excess of \$125,000,000 (Section B – non-peak territories)
Limit \$250,000,000 in all.

Quota Share Treaty on Property Catastrophe

Covers business written by the Canadian branch and other affiliates. 8% quota share, occurrence limit of \$1,300,000,000 and annual aggregate limit of \$1,500,000,000.

Quota Share Retrocession Agreement

Effective January 1, 2015, the Company renewed its Quota Share Retrocession Agreement with its affiliate Partner Reinsurance Company Ltd. (“PartnerRe Bermuda”). Per the terms of the agreement, PartnerRe Bermuda accepts a 30% quota share participation in the Company’s new and renewal business covering all lines for the 2015 underwriting year, excluding business written by the Company’s Canadian

branch. The Company maintained similar quota share agreements with PartnerRe Bermuda for the underwriting years 2004 through 2014.

Stop Loss Reinsurance Agreement

Effective January 1, 2015, the Company renewed its Stop Loss Reinsurance Agreement with PartnerRe Bermuda. The agreement applies to all in-force, new and renewal treaty and facultative business written by the Company and to loss occurrences, which commence during the period January 1, 2015 through December 31, 2015. PartnerRe Bermuda is liable for 20% in excess of a 90% loss ratio retention by the Company. The Company maintained stop loss covers under substantially similar terms for each calendar period from January 1, 2000 through 2014.

Whole Account Stop Loss Reinsurance Agreement

Effective January 1, 2015, the Company's Canadian branch renewed its Whole Account Stop Loss Reinsurance Agreement with PartnerRe Bermuda. Per the terms of the agreement, PartnerRe Bermuda is liable for the amount that the Company's ultimate net loss and loss adjustment expenses exceed its 85% loss ratio retention, subject to a three-tier limitation, as follows:

- Layer 1 – 65% net earned premium excess of 85% net earned premium
- Layer 2 – 150% net earned premium excess of 150% net earned premium; and
- Layer 3 – 100% net earned premium excess of 300% net earned premium

The agreement applies to all calendar year activity in excess of the stated retention in this contract and covers the period January 1, 2015 through December 31, 2015.

As of December 31, 2015, the Company reported \$1,067,068,180 (representing 76% of surplus) of reinsurance recoverables from PartnerRe Bermuda. PartnerRe Bermuda is a certified reinsurer with a secure-rating 3, as defined by Department Regulation 20.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. The trust account obtained by the Company to take credit for cessions to PartnerRe Bermuda was reviewed for compliance with Department Regulation 114. The Company also reduces its provision for reinsurance pursuant to the provisions of Parts 125.4 of Department Regulation 20.

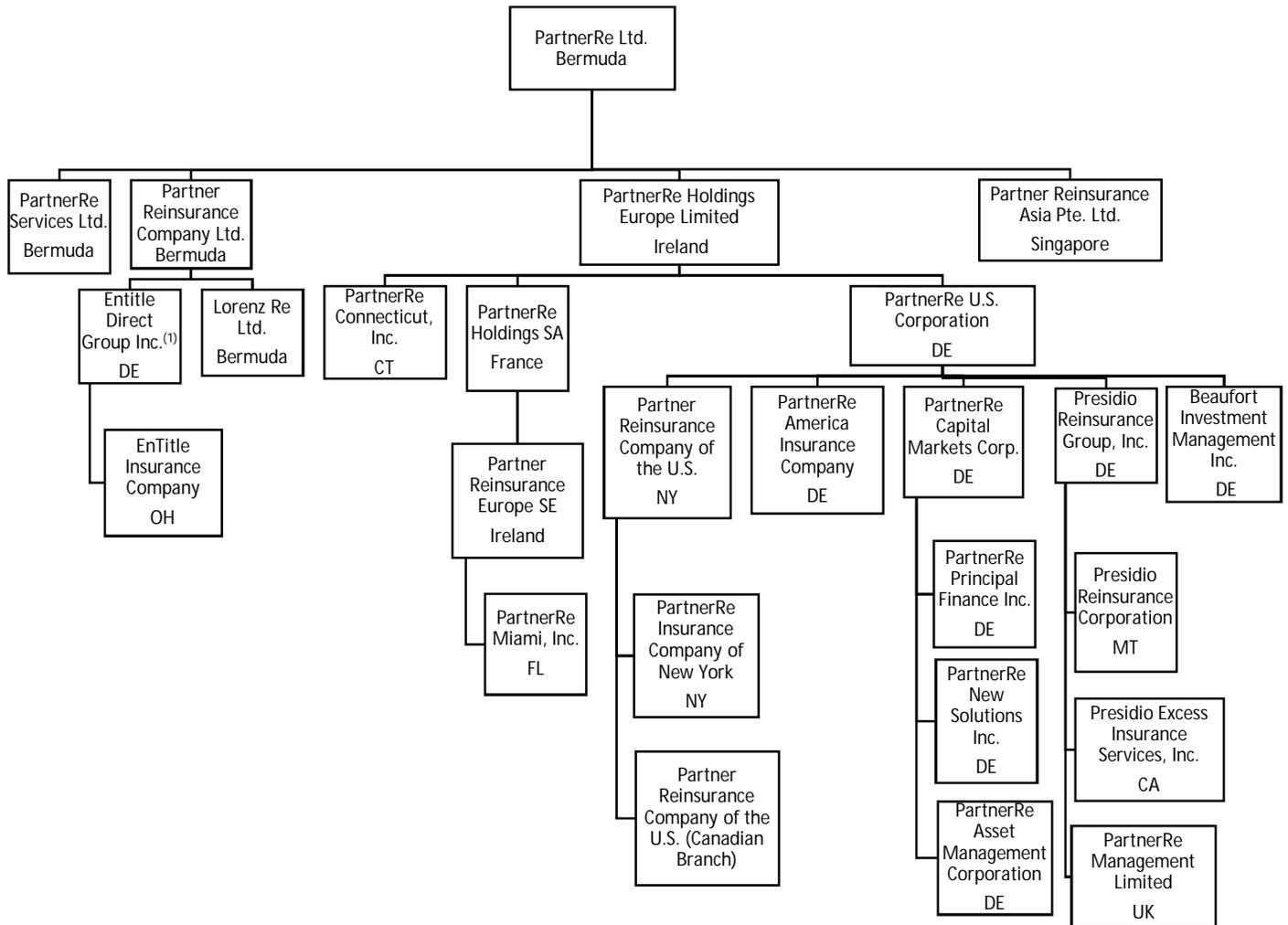
All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law. All agreements subject to Section 1505(d)(2) of the New York Insurance Law were submitted to the Department as required.

Management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62R, with the exception of those treaties that were accounted for as Deposit Accounting in accordance with Paragraph of SSAP No. 75. Representations were supported by an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. However, the Company does not have a formal process in place to review all of its ceded reinsurance agreements to verify that both underwriting and timing risk has been transferred. The examiner recommends that the Company establish a formal process to verify risk transfer on its ceded reinsurance agreements.

D. Holding Company System

The Company is a member of the PartnerRe Group (“the Group”). The Company is a wholly-owned subsidiary of PRUSC, a Delaware corporation. As of December 31, 2015, PRUSC was ultimately controlled by PReLtd.

The following is an abridged chart of the holding company system as of December 31, 2015:



⁽¹⁾ Partner Reinsurance Company Ltd. holds 36% of Entitle Direct Group Inc.

PReLtd was incorporated in Bermuda in August 1993, and is the ultimate holding company for the Group. PReLtd provides reinsurance and certain specialty insurance products on worldwide basis (approximately 150 countries) through its principal wholly-owned subsidiaries, including:

- the Company,
- PartnerRe Bermuda,
- Partner Reinsurance Europe SE and,
- Partner Reinsurance Asia Pte. Ltd.

A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

Holding Company Agreements

As of December 31, 2015, the Company was party to the following agreements with other members of its holding company system:

Service Agreements

Effective January 1, 2005, and as amended on March 5, 2010, the Company entered into a service agreement with PRNY. Pursuant to the terms of the agreement, the Company provides to PRNY certain executive and administrative support services and other resources as required to conduct in corporate insurance and reinsurance business including, but not limited to, personnel, tax, administrative and office functions, legal, internal audit, claims, underwriting, accounting, information technology, and overall corporate management as needed and required by PRNY.

Effective October 25, 2013, PRUS Canada entered into a service agreement with PartnerRe Miami, Inc. (“PreMiami”). Pursuant to the terms of the agreement, PReMiami provides PRUS Canada underwriting administration services, such as, but not limited to, timely and accurate registration of inward and outward reinsurance contracts in the underwriting system, set up and maintenance of underwriting files, and production and distribution of renewal packages.

Effective April 1, 2012, the Company and several of its affiliates (collectively, the “Parties”) entered into a service agreement with PartnerRe Services Ltd. Pursuant to the terms of the agreement, certain Parties will perform various services for the other Parties, including: management of information technology (“IT”) architecture and standards; provision of effective information technology tools worldwide; purchase and

online maintenance of software and user licenses to run various IT applications; operation and online maintenance of these applications; further developments, improvement and interface implementation of these applications. PartnerRe Services Ltd. will work as a consultant to provide billing and coordination services to the parties for the services provided among themselves, including: preparation of invoices on behalf of the Parties for services performed for the other member Parties; collect payments and hold such payments as custodian for the Parties, and credit and debit such Parties' accounts on the payment date; withhold taxes on invoice payments, if applicable; pool all payments and credit each of the Parties with the excess payments made to such party over payments made by such party. This agreement replaced a similar service agreement with PartnerRe Services Ltd. in effect prior to April 1, 2012.

Effective September 1, 2014, the Company entered into a service agreement with the following affiliates: PRAM, PartnerRe New Solutions, Inc., PReLtd., PartnerRe Principal Finance Inc., PartnerRe Capital Markets Corp., PartnerRe Miami, Inc., PRAIC, PartnerRe Connecticut, Inc., Beaufort Investment Management, Inc. (collectively, "Recipients"). Pursuant to the terms of the agreement, the Company provides office space and various services and resources to select Recipients, such as tax functions; personnel and employee benefits; general administrative services and office functions; legal; overall corporate management; accounting services; information technology; claims; and, underwriting. This agreement replaced the previous service agreement effective December 1, 2001.

The Company was not in compliance with this agreement. The agreement indicated that services are to be reimbursed at cost, plus a 10% "profit element". The Company failed to bill, and collect, the profit element.

The examiner recommends that the Company abide by the terms of the service agreement that was filed with the Department.

The Company was also party to the following service agreements:

- Consulting Services Agreement effective December 1, 2002, and amended on April 15, 2004, with PartnerRe New Solutions Inc.
- Service Agreement effective January 1, 2014 with PRAIC.

Relating strictly to the Company's Canadian branch business, PRUS Canada was party to the following service agreements:

- Service Agreement effective January 1, 2011 with Partner Reinsurance Europe Limited Canada Branch (“PREELC”)
- Service Agreement effective January 1, 2011 with PREEL
- Service Agreement effective January 1, 2011, and amended June 11, 2012, with Partner Reinsurance Company Ltd. Canada Branch
- Service Agreement effective January 1, 2011 with PartnerRe Bermuda
- Service Agreement effective December 1, 2011 with Partner Reinsurance Europe PLC.

Amended and Restated Advisement and Investment Agreement

Effective March 1, 2012, the Company, the Canadian Branch of the Company, and PRNY (collectively, “PRUS Group”) appointed PartnerRe Asset Management Corporation (“PRAM”) as their investment manager and attorney-in-fact to provide investment management, investment advice and recommendations with respect to those assets which comprise PRUS Group’s investment portfolios and externally managed fund investments, or similar assets (“PRUS Group Assets”). PRAM was granted full discretionary authority with respect to the investment and reinvestment of PRUS Group Assets, subject to specified terms and conditions and in accordance with the respective investment guidelines.

The Company was also party to an Advisement and Investment Management Agreement effective May 10, 2010 with PartnerRe Principal Finance Inc.

Tax Allocation Agreement

Effective March 25, 1988, and subsequently amended on numerous occasions, the Company is party to a tax allocation agreement with PRUSC and PRUSC’s subsidiaries. The agreement was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

Other Agreements

The Company was also party to the following agreements:

- Members of the PartnerRe Group International Data Transfer Agreement effective December 7, 2011 and amended on December 14, 2011, on June 14, 2012, and on November 26, 2014 with PReLtd.

- Securities Purchase Agreement dated February 4, 2011 with PREEL
- Securities Purchase Agreement dated March 18, 2011 with PREEL
- Business Transfer Agreement effective March 31, 2011 with PREELC.

All agreements subject to Section 1505(d) of the New York Insurance Law were filed with the Department.

E. Significant Operating Ratios

The Company's operating ratios, computed as of December 31, 2015, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to surplus as regards policyholders	86%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	75%
Two-year overall operating	83%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five year period covered by this examination:

	<u>Amounts</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$3,409,607,469	64.47%
Other underwriting expenses incurred	1,606,589,861	30.38%
Net underwriting gain	<u>272,872,305</u>	<u>5.16%</u>
Premiums earned	<u>\$5,289,069,635</u>	<u>100.00%</u>

The Company's risk based capital score (RBC) was 400.3 at December 31, 2015. The RBC is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC of 200 or below can result in regulatory action.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2015 as reported by the Company:

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$3,159,943,786	\$ 0	\$3,159,943,786
Preferred stocks	6,549,687	0	6,549,687
Common stocks	214,101,647	0	214,101,647
Cash, cash equivalents and short-term investments	327,617,284	0	327,617,284
Derivatives	759,653	0	759,653
Other invested assets	33,283,614	0	33,283,614
Receivables for securities	721,950	0	721,950
Investment income due and accrued	17,845,105	0	17,845,105
Uncollected premiums and agents' balances in the course of collection	126,362,615	0	126,362,615
Deferred premiums, agents' balances and installments booked but deferred and not yet due	730,527,151	0	730,527,151
Accrued retrospective premiums	1,979,145	0	1,979,145
Amounts recoverable from reinsurers	146,590,123	0	146,590,123
Funds held by or deposited with reinsured companies	5,963,803	0	5,963,803
Current federal and foreign income tax recoverable and interest thereon	17,846,929	0	17,846,929
Net deferred tax asset	91,505,735	27,988,038	63,517,697
Furniture and equipment, including health care delivery assets	2,298,584	2,298,584	0
Prepaid	187,087	187,087	0
Trade deposit	13,300	13,300	0
Deferred compensation	11,313,878	0	11,313,878
Paid loss recoverable from loss portfolio transfer	1,007,175	0	1,007,175
Miscellaneous assets	<u>12,271</u>	<u>1,571</u>	<u>10,700</u>
Total assets	<u>\$4,896,430,522</u>	<u>\$30,488,580</u>	<u>\$4,865,941,942</u>

Liabilities, Capital, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$2,387,900,041
Reinsurance payable on paid losses and loss adjustment expenses	76,140,991
Commissions payable, contingent commissions and other similar charges	12,271,112
Other expenses (excluding taxes, licenses and fees)	22,874,100
Current federal and foreign income taxes	952,710
Unearned premiums	324,974,205
Ceded reinsurance premiums payable (net of ceding commissions)	361,748,125
Funds held by company under reinsurance treaties	3,474,405
Remittances and items not allocated	23,181,512
Provision for reinsurance	4,196,145
Payable to parent, subsidiaries and affiliates	1,216,819
Payable for securities	230,882,550
Loss portfolio transfer	(5,557,558)
Deferred compensation	12,155,691
Ceded bad debt allowance	2,065,248
Miscellaneous payable	312,750
Assumed bad debt allowance	<u>2,073,174</u>
 Total liabilities	 <u>\$3,460,862,020</u>

Capital, surplus and other funds

Special surplus for loss portfolio	\$ 5,557,558
Common capital stock	4,800,000
Gross paid in and contributed surplus	766,457,471
Unassigned funds (surplus)	<u>628,264,893</u>
 Surplus as regards policyholders	 <u>\$1,405,079,922</u>
 Total liabilities, capital, surplus and other funds	 <u>\$4,865,941,942</u>

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through tax year 2008. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was \$865,337,262 as detailed below:

Underwriting Income

Premiums earned		\$5,289,069,635
Deductions:		
Losses and loss adjustment expenses incurred	\$3,409,607,469	
Other underwriting expenses incurred	<u>1,606,589,861</u>	
Total underwriting deductions		<u>5,016,197,330</u>
Net underwriting gain		\$ 272,872,305

Investment Income

Net investment income earned	\$515,944,067	
Net realized capital gain	<u>294,276,405</u>	
Net investment gain		810,220,472

Other Income

Retroactive reinsurance	(\$28,996,004)	
Net gain or (loss) from agents' or premium balances charged off	(3,792,804)	
AXA Agreement	8,078,785	
Interest on funds held	11,659,198	
Deposit accounting income	2,440,633	
Amortization of intangibles-renewal rights	(5,131,317)	
Liability on Canadian goods and services tax	(2,865,629)	
Miscellaneous	<u>(1,322,704)</u>	
Total other income		<u>(19,929,842)</u>
Net income before federal and foreign income taxes		\$1,063,162,935
Federal and foreign income taxes incurred		<u>197,825,673</u>
Net income		<u>\$ 865,337,262</u>

C. Capital and Surplus

Surplus as regards policyholders increased \$208,110,906 during the five year examination period January 1, 2011 through December 31, 2015 as reported by the Company, detailed as follows:

Surplus as regards policyholders per report on examination as of December 31, 2010			\$1,196,969,016
	<u>Gains in</u>	<u>Losses in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net income	\$865,337,262		
Net unrealized capital gains or losses		\$ 55,016,836	
Change in net unrealized foreign exchange capital gain or loss		67,456,395	
Change in net deferred income tax		71,780,369	
Change in non-admitted assets	32,466,284		
Change in provision for reinsurance		2,128,122	
Cumulative effect of changes in accounting principles	33,607,370		
Surplus adjustments paid in	440,095		
Dividends to stockholders		522,000,000	
Unrecognized items - pension	2,390,123		
Adjustment for prior year's stock compensation	<u>0</u>	<u>7,748,506</u>	
Total gains / losses	\$934,241,134	\$726,130,228	
Net increase in surplus			<u>208,110,906</u>
Surplus as regards policyholders per report on examination as of December 31, 2015			<u>\$1,405,079,922</u>

No adjustments were made to surplus as a result of this examination.

As of December 31, 2015, capital paid in was \$4,800,000 consisting of 9,600 shares of \$500 par value per share common stock. Gross paid in and contributed surplus was \$766,457,471. Each year during the examination period, the Company reported surplus adjustments attributable to stock compensation expenses and stock compensation-related expenses, such as tax benefits from stock awards. Gross paid in and contributed surplus increased by \$440,095 during the examination period, as follows:

<u>Year</u>	<u>Description</u>	<u>Amount</u>
2011	Beginning gross paid in and contributed surplus	\$766,017,376
2011	Surplus adjustments paid-in	\$6,326,337
2012	Surplus adjustments paid-in	644,955
2013	Surplus adjustments paid-in	3,301,530
2014	Surplus adjustments paid-in	(6,857,965)
2015	Surplus adjustments paid-in	<u>(2,974,762)</u>
	Total surplus adjustments	<u>440,095</u>
2015	Ending gross paid in and contributed surplus	<u>\$766,457,471</u>

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

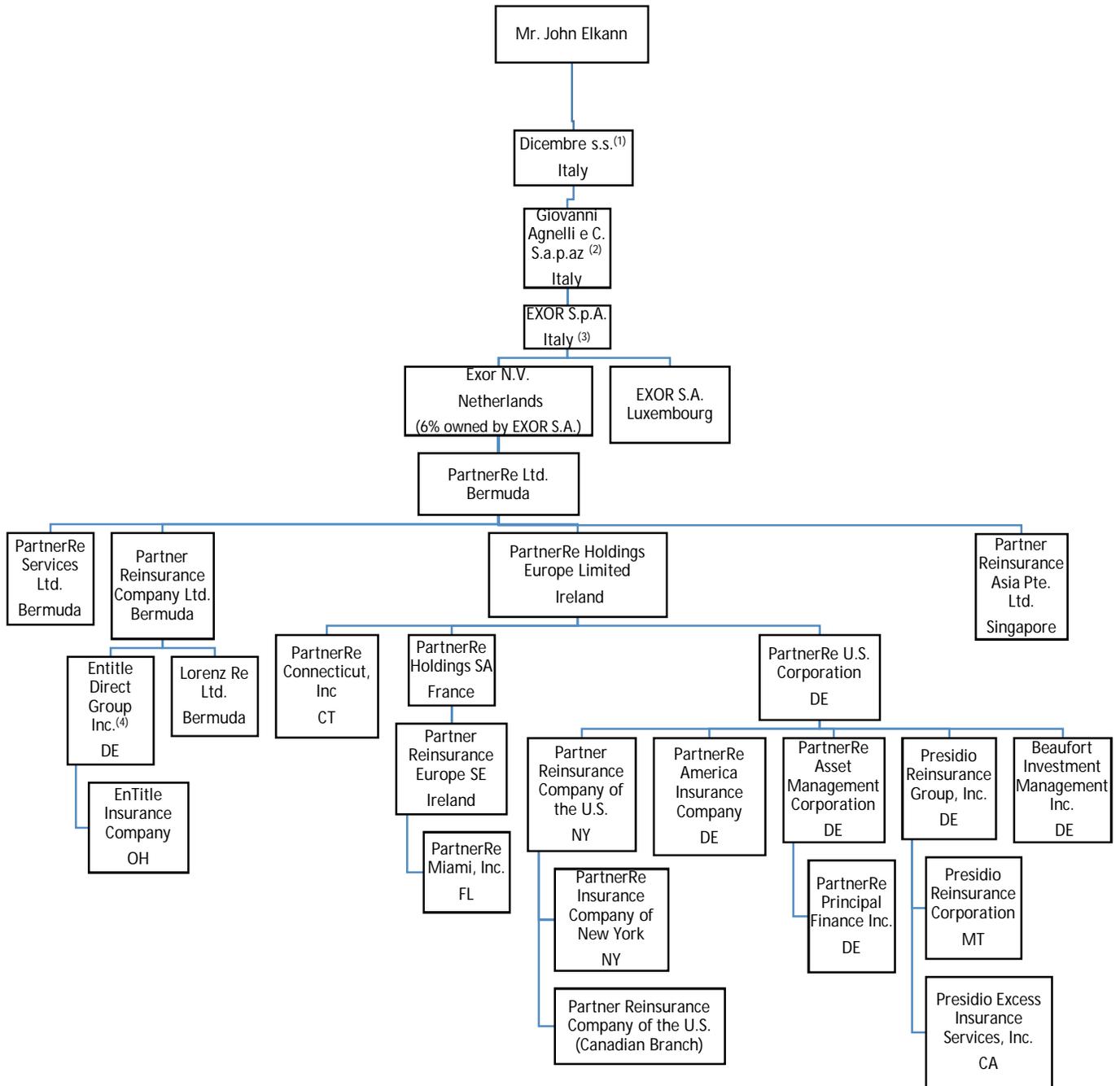
The examination liability for the captioned items of \$2,387,900,041 is the same as reported by the Company as of December 31, 2015. The examination analysis of the Loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”). Significant reserves are held for other liability – occurrence, totaling \$862 million, and non-proportional assumed liability, totaling \$787 million, representing 69% of total reserves held.

5. **SUBSEQUENT EVENTS**

Acquisition of Control

Effective March 18, 2016, the Company was acquired by Exor N.V. and its controlling persons (“EXOR Group”). Exor N.V. is a subsidiary of EXOR S.p.A. (“EXOR”), a European investment company. EXOR is a publicly-traded company in Italy, and its shares are majority-held by the Agnelli family. The ultimate controlling party is Mr. John Elkann.

The following is an abridged chart of the holding company system as of March 31, 2016:



- (1) Owns 32.25% of downstream affiliate
- (2) Owns 51.87% of downstream affiliate
- (3) Owns 94% of Exor N.V.
- (4) Is 36% owned by upstream affiliate

Background

On January 25, 2015, PReLtd 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.

On April 14, 2015, PReLtd announced the receipt of an unsolicited written proposal from the EXOR Group to acquire 100% of PReLtd’s outstanding common shares for \$130 per share in cash. On August 2, 2015, after subsequent negotiations with the EXOR Group, PReLtd entered into an Agreement and Plan of Merger with Exor N.V., Pillar Ltd. (a wholly owned subsidiary of Exor N.V.), and EXOR. The transaction transpired with a merger (“the Merger”) of Pillar Ltd. with and into PReLtd, with PReLtd continuing as the surviving company and a wholly owned subsidiary of Exor N.V. Pursuant to the terms of the Merger, each PReLtd common share issued and outstanding immediately prior to the effective time of the Merger was automatically canceled and converted into the right to receive (i) \$137.50 in cash per share and (ii) a one-time special pre-closing cash dividend in the amount of \$3.00 per common share.

In connection with the execution of the Merger with the EXOR Group, the Amalgamation Agreement was terminated. On August 3, 2015, PReLtd paid AXIS a termination fee and reimbursement of expenses of \$315 million.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained one recommendation as follows (page numbers refer to the prior report):

<u>ITEM</u>		<u>PAGE NO.</u>
A	It is recommended that the Company continue its efforts to amend the ECO clauses in all of its assumption agreements to include the savings clause required by the Department or delete the ECO clause.	8
	The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>		<u>PAGE NO.</u>
A	<u>Reinsurance Ceded</u>	
	The examiner recommends that the Company establish a formal process to verify risk transfer on its ceded reinsurance agreements.	12
B	<u>Holding Company</u>	
	The examiner recommends that the Company abide by the terms of the service agreement that was filed with the Department.	15

APPOINTMENT NO. 31434

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Maria T. Vullo, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Karen Gard

as a proper person to examine the affairs of the

Partner Reinsurance Company of the U.S.

and to make a report to me in writing of the condition of said

COMPANY

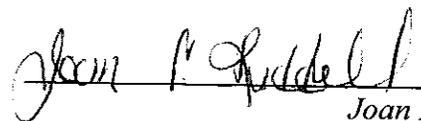
with such other information as she shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York*

this 29th day of September, 2016

MARIA T. VULLO
Superintendent of Financial Services

By:


Joan Riddell
Deputy Bureau Chief

