



**REPORT ON EXAMINATION
OF
PARTNER REINSURANCE COMPANY OF THE U.S.**

AS OF DECEMBER 31, 2020

**EXAMINER:
DATE OF REPORT:**

**JUSTIN MATHEW
FEBRUARY 15, 2022**

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

February 15, 2022

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32183 dated December 28, 2020, attached hereto, I have made an examination into the condition and affairs of Partner Reinsurance Company of the U.S. as of December 31, 2020, 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.

Due to the COVID-19 pandemic, the examination was conducted remotely.

1. SCOPE OF EXAMINATION

The Department has performed an examination of the Partner Reinsurance Company of the U.S., a multi-state reinsurer. The previous examination was conducted as of December 31, 2015. This examination covered the five-year period from January 1, 2016 through December 31, 2020. 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 Life Reinsurance Company of America, an Arkansas-domiciled company. Both Delaware and Arkansas participated in this examination.

This examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners 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
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

A review was also made to ascertain what actions were taken by the Company with regard to the recommendations 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, a 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 were restructured and the Company took over the operations of the Canadian branch.

Effective January 3, 2012, PRUSC was contributed to PartnerRe Holdings Europe Limited (“PRHEL”) by PReLtd.

Effective March 18, 2016, PReLtd.’s publicly held common shares were acquired by Exor N.V. (subsequently renamed to EXOR Nederland N.V.), whose ultimate parent is EXOR N.V., a European investment company.

Effective August 11, 2017, the Company entered into a stock purchase agreement with Employers Group, Inc., a Nevada corporation, which was amended and restated on May 23, 2018, with respect to the sale of PRNY. The sale closed on July 31, 2019, after obtaining all required regulatory approvals.

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 meets four times during each calendar year. At December 31, 2020, the board of directors was comprised of the following eight members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Anthony Frank Albano Sandy Hook, CT	Vice President, Chief Financial Officer and Treasurer, Partner Reinsurance Company of the U.S.
Jonathan Mark Colello Plandome, NY	President, Partner Reinsurance Company of the U.S.
Thomas Lester Forsyth Sunapee, NH	Executive Vice President, General Counsel and Corporate Secretary, Partner Reinsurance Company of the U.S.
Kenneth John Graham Eastchester, NY	Senior Vice President, Partner Reinsurance Company of the U.S.
Mohammad Abu Turab Hussain Hoboken, NJ	Chairman, Partner Reinsurance Company of the U.S.
Liberatore John Iannarone Pembroke, Bermuda	General Counsel, Partner Reinsurance Company Ltd.
Dominic Thomas Leone Stratford, CT	General Manager, Head of Investments, PartnerRe Asset Management Corporation
Marta Juliana Shevchik Briarcliff Manor, NY	Senior Vice President, Partner Reinsurance Company of the U.S.

As of December 31, 2020, the principal officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Mohammad Abu Turab Hussain	Chairman
Jonathan Mark Colello	President
Anthony Frank Albano	Vice President, Chief Financial Officer and Treasurer
Thomas Lester Forsyth	Executive Vice President, General Counsel and Corporate Secretary

B. Territory and Plan of Operation

As of December 31, 2020, the Company was licensed to write business in 33 states, the District of Columbia, Guam, and Canada. The Company was also qualified and/or accredited to write reinsurance business in 17 states.

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
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 empowered to transact such workers' compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's 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 upon 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 \$911,103,122 as of December 31, 2020.

The Company is a reinsurer and wrote no direct business during the exam period. The following schedule shows the total gross premiums written by the Company for the period under examination:

<u>Calendar Year</u>	<u>Total Gross Premiums</u>
2016	\$1,766,872,066
2017	\$1,642,698,393
2018	\$1,570,937,137
2019	\$2,199,488,891
2020	\$2,167,431,831

The Company primarily assumes property and casualty business through intermediaries on a treaty basis for ceding company clients located predominantly in the United States. During 2020, the majority of assumed written premiums (71%) derived from Other Liability – Occurrence (39%), Reinsurance – Nonproportional Assumed Liability (13%), Allied Lines (12%), and Other Accident and Health (7%). Other Liability – Occurrence is primarily comprised of Umbrella, Professional Liability, and General Liability.

Quota Share Retrocession Agreement

Effective January 1, 2020, the Company entered into a quota share retrocession agreement with PRAIC. Per the terms of the agreement, the Company accepts a 90% quota share participation in PRAIC's new and renewal business covering all lines for the 2020 underwriting year. This 90% quota share retrocession agreement supersedes, merges with and makes null and void any and all previous agreements between PRAIC and the Company, or their predecessors, with respect to the reinsurance of PRAIC by the Company commencing January 1, 2020, and constitutes the full and complete agreement between the parties with respect to that reinsurance.

Loss Portfolio Transfer Agreement

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.

C. Reinsurance Ceded

The Company has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<u>Aviation</u>	
<u>Aviation General Excess of Loss</u> 3 layers (placed at 80%, 100% and 50%)	\$180,000,000 excess of \$20,000,000 each and every loss.
<u>Aviation Excess of Loss</u> 4 sections (placed at 100%)	Original Loss Warranty equal to or exceeds \$800,000,000: 0.52084% of up to \$1,200,000,000 excess of \$800,000,000 of total original incurred aviation loss, each and every loss. Reinsurer limit is \$12,500,000 in the aggregate for Sections 1 and 2. Original Loss Warranty equal to or exceeds \$1,000,000,000: 0.625% of up to \$1,000,000,000 excess of \$1,000,000,000 of total original incurred aviation loss, each and every loss. Reinsurer limit is \$12,500,000 in the aggregate for Sections 3 and 4.
<u>Composite Program (Specialty and P&C)</u>	
<u>Offshore Energy and Marine Excess of Loss</u> 2 Layers	\$40,000,000 excess of \$25,000,000 ultimate net loss each loss or \$40,000,000 excess of \$12,500,000 ultimate net loss each loss arising from business classified as marine elemental only and/or International Group of Protection & Indemnity Clubs.
<u>Property, Engineering, and Onshore Energy Risk Excess of Loss</u> 2 Layers	\$35,000,000 excess of \$30,000,000 ultimate net loss each and every loss or series of losses arising out of one event, any one risk.

<u>Type of Treaty</u>	<u>Cession</u>
<u>Multi Class Excess of Loss</u> Layer One	\$35,000,000 excess of combined limits and retentions underlying as detailed in attached schedules. Business covers property, engineering, onshore energy, offshore energy, marine including protection and indemnity and multiline.
Layer Two (3 sections)	Section One: \$30,000,000 excess of combined limits and retentions underlying as detailed in attached schedule. Business covers offshore energy and marine including protection and indemnity. Section Two: \$25,000,000 excess of \$25,000,000 ultimate net loss each loss and/or any one loss or series of losses arising out of one event. Business covers clash between marine, offshore and property-onshore-engineering-multiline business (excluding CatNat). Section Three: \$15,000,000 excess of \$15,000,000 ultimate net loss each loss and/or any one loss or series of losses arising out of one event. Business covers energy offshore treaty business but only in respect of losses arising out of named storms occurring in the Gulf of Mexico.
Layer Three (2 sections)	Section One: \$20,000,000 excess of combined limits and retentions underlying as detailed in attached schedules. Business covers property, engineering, onshore energy and multiline (including CatNat, excluding terror except where required by law). Section Two: \$20,000,000 excess of \$20,000,000 ultimate net loss each loss and/or every loss or series of losses arising out of one event. Business covers terrorism.
<u>Direct and Facultative Property Excess of Loss</u> Canada Branch only 1 Layer (placed at 24%)	\$15,000,000 excess of \$15,000,000 ultimate net loss each and every loss or series of losses arising out of one event, any one risk.
<u>Global Cyber and Multi-Line Liability</u> <u>Stop Loss</u> (placed at 75%)	40% Loss Ratio excess of 110% Loss Ratio, Defined as Gross Net Earned Premium, subject to maximum limit of \$42,720,000 in the aggregate.
<u>Marine and Energy Quota Share</u>	13% quota share for specific limitations: \$100,000,000 event limit for natural perils, \$40,000,000 program limit with three automatic special acceptances authorized above this amount.

Type of Treaty
Credit and Surety Quota Share Retrocession

Cession
 100% quota share fronting arrangement on trade credit variable and surety quota share.

Property

Property CAT Quota Share “Lorenz Re”
 Canada Branch only

4.74% quota share on proportional and non-proportional property catastrophe business, including auto own/physical damage and workers compensation CAT. Reinsurer’s annual aggregate limit is \$1,132,400,000.

Property CAT Quota Share
 Canada Branch only

1.81% quota share on proportional and non-proportional property catastrophe business, including auto own/physical damage and workers compensation CAT. Reinsurer’s annual aggregate limit is \$1,942,500,000.

12.73342% quota share on proportional and non-proportional property catastrophe business, including auto own/physical damage and workers compensation CAT. Reinsurer’s annual aggregate limit is \$1,979,500,000.

Property CAT Quota Share “Huygens”
 Canada Branch only

9.30% quota share on proportional and non-proportional property catastrophe business, including auto own/physical damage and workers compensation CAT. Reinsurer’s annual aggregate limit is \$2,081,250,000.

Property CAT Quota Share “Torricelli
Net Quota Share”
 Canada Branch only

3.8% quota share on proportional and non-proportional property catastrophe business, including auto own/physical damage and workers compensation catastrophe. Reinsurer’s annual aggregate limit is \$1,889,500,000.

Catastrophe Excess of Loss
 3 Layers (placed at 50%, 4% and 2%)

\$225,000,000 in excess of an ultimate net loss of \$275,000,000 each and every loss occurrence.

Layers One and Two Combined
 (placed at 20%)

\$175,000,000 in excess of an ultimate net loss of \$275,000,000 each and every loss occurrence.

Layers Two and Three Combined
 (placed at 6.8928%)

\$175,000,000 in excess of an ultimate net loss of \$325,000,000 each and every loss occurrence.

Aggregate Excess of Loss
 3 Layers (placed at 20%, 24% and 31%)

\$300,000,000 excess of \$600,000,000 in the aggregate.

<u>Type of Treaty</u>	<u>Cession</u>
<u>CAT Only Aggregate Excess of Loss</u> Canada Branch only 3 Layers (placed at 1.14%)	\$300,000,000 excess of \$450,000,000 ultimate net loss in the aggregate. Program inuring to the benefit of the Torricelli net quota share.

Effective January 1, 2020, the Canadian branch of Partner Reinsurance Company of the U.S. (“PRUSCAN”) renewed its Whole Account Stop Loss Reinsurance Agreement with Partner Reinsurance Company Limited (“PRCL”). Per the terms of the agreement, PRCL is liable for the amount that PRUSCAN’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
- 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, 2020, through December 31, 2020.

The majority of the Company’s ceded business was to unauthorized reinsurers. As of December 31, 2020, the Company’s ceded premiums totaled \$87.1 million, of which approximately 58% was ceded to one unauthorized unaffiliated reinsurer. It is the Company’s policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

As of December 31, 2020, the Company reported approximately \$636,626,000 in reinsurance recoverables, which represents approximately 54% of surplus. Approximately \$527,472,000 in reinsurance recoverables is due from affiliate PRCL. PRCL is a certified reinsurer at December 31, 2020, with a secure-3 financial strength rating.

All significant 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.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that

all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles (“SSAP”) No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company’s Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

Commutation and Release Agreement

Effective September 30, 2016, the Company entered into a Commutation and Release Agreement with PRNY. Over the certain underwriting years, PRNY and the Company had been parties to various reinsurance and retrocession agreements, whereby the Company, in consideration of the payment of premium, committed to reinsure certain risks reinsured by PRNY. As detailed in the commutation agreement, the Company was fully released from all obligations or liabilities arising out of or resulting from the retrocession agreements. Per the terms of the agreement, the Company paid PRNY the sum of \$1,549,787. This payment was equal to 1.4% of PRNY’s statutory surplus and 0.1% of the Company’s statutory surplus as of December 31, 2015.

D. Holding Company System

The Company is a member of the PartnerRe Group. It is a wholly owned subsidiary of PRUSC, a Delaware corporation. PReLtd. owns 100% of PartnerRe Holdings Europe Limited, which in turn holds 100% of PRUSC. PReLtd. is an indirect wholly owned subsidiary of EXOR N.V. EXOR N.V. is a public European investment company whose shares are majority held by the Agnelli family. Mr. John Elkann is the ultimate controlling person.

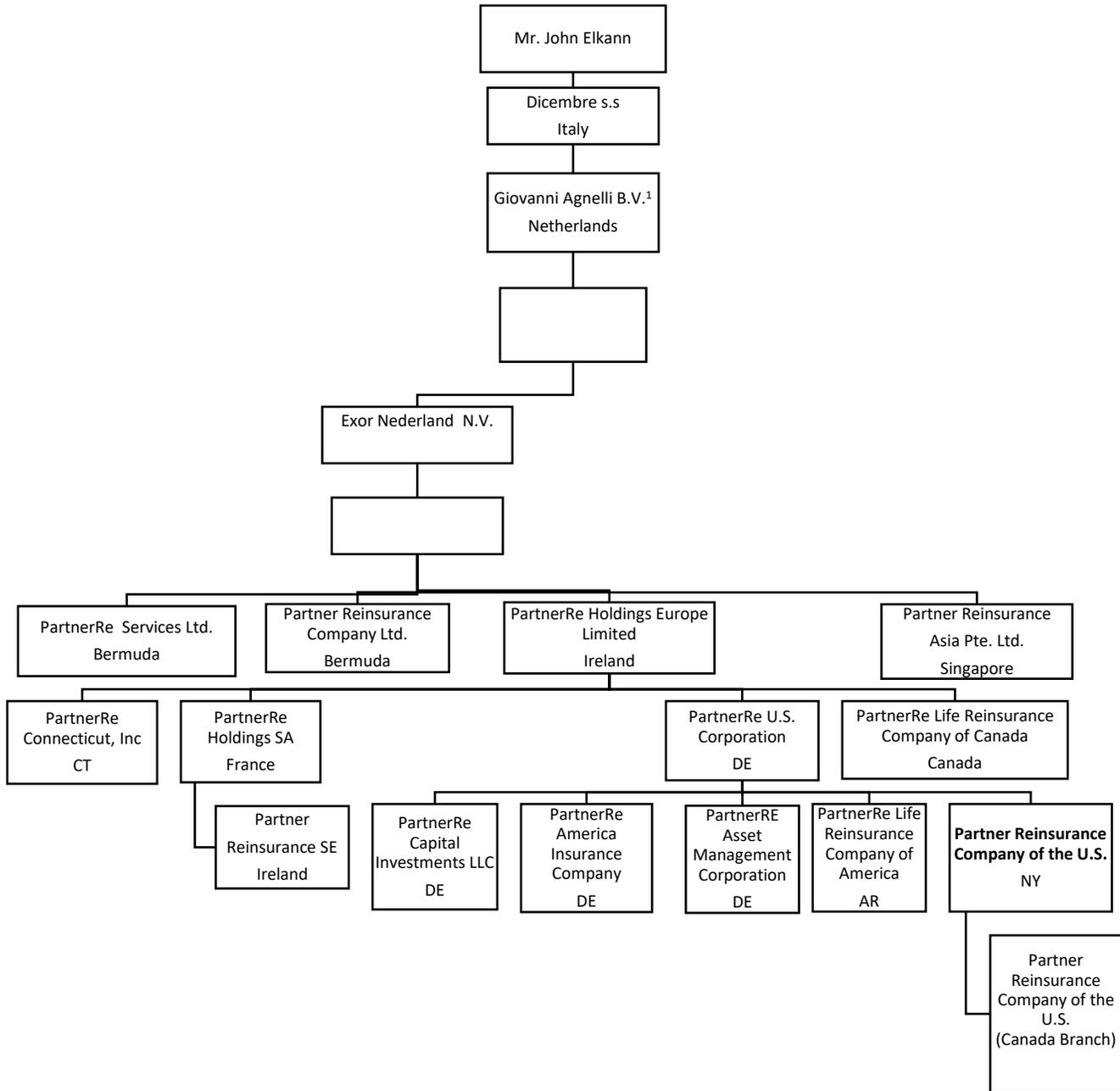
PReLtd. was incorporated in Bermuda in August 1993 and is the ultimate holding company for the PartnerRe Group. PReLtd. provides reinsurance and certain specialty insurance products on a worldwide basis through its wholly owned subsidiaries, including, but not limited to:

- the Company,
- Partner Reinsurance Company Ltd.,
- PartnerRe America Insurance Company,
- 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.

The following is an abridged chart of the holding company system at December 31, 2020:



¹ Dicembre s.s. holds 37.29% of the voting interest in Giovanni Agnelli B.V. as of December 31, 2020.

² Giovanni Agnelli B.V. holds 55.29% of the voting interest in EXOR N.V. as of December 31, 2020. Non-insurance subsidiary investments of EXOR N.V. are not included.

Holding Company Agreements

As of December 31, 2020, the Company was party to the following service agreements with other members of its holding company system:

Effective January 1, 2011, the Company entered into a service agreement with PRUSCAN. Pursuant to the terms of the agreement, the Company shall provide advice and assistance in areas that include underwriting, actuarial, financing, accounting, tax and legal matters, internal audit, data processing, human resources, and information technology.

Effective January 1, 2014, the Company entered into a service agreement with PRAIC. Pursuant to the terms of the agreement, PRAIC shall provide advice and assistance in the area of administration, legal, claims, underwriting support services, and accounting with respect to accident and health reinsurance products.

Effective February 1, 2016, the Company entered into a service agreement with Partner Reinsurance Company Ltd., Canada Branch (“PRCLCAN”). Pursuant to the terms of the agreement, the Company’s Legal Department shall provide legal advice and assistance for regulatory compliance support to PRCLCAN. Compliance services include written and in-person correspondence and meetings with Canadian regulators and working on regulatory compliance matters and filings.

Effective September 1, 2017, the Company entered into a service agreement with Partner Reinsurance Asia Pte. Ltd. (“PRAPL”). Pursuant to the terms of the agreement, the Company will provide services such as CAT risk modeling and research, technical accounting, non-life claims, and IT support.

Effective December 1, 2017, the Company entered into a service agreement with PRCL. Pursuant to the terms of the agreement, the Company shall provide services including, but not limited to, non-life underwriting support, cat risk modeling and research services, non-life actuarial and reserving, risk management, non-life claims management services, legal, compliance, and regulatory support, internal audit services, finance and accounting management information services, IT group services and support services to PRCL.

Effective September 1, 2014, and further amended on January 1, 2018, the Company entered into a service agreement with the following affiliates: PartnerRe Asset Management Corporation (“PRAM”), PRCLtd., PartnerRe Principal Finance, Inc., PartnerRe Miami, Inc., PRAIC, PartnerRe Connecticut, Inc., Mercalli Investment Management Inc. and PLRA (collectively known as “Recipients”). Pursuant to the

terms of the agreement, the Company shall provide 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 original service agreement effective December 1, 2001.

Effective October 5, 2017, and further amended on October 22, 2019, the Company entered into a service agreement with PartnerRe Ireland Insurance DAC (“PRIID”). Pursuant to the terms of the agreement, the Company shall provide services including, but not limited to, non-life actuarial and reserving group support, non-life claims, finance and accounting, IT group services, internal audit support, group legal and compliance, CAT risk modeling and research, risk management group support, and non-life underwriting operations support to PRIID.

Effective October 5, 2017, and further amended on October 22, 2019, the Company entered into a service agreement with Partner Reinsurance Europe SE (“PRESE”). Pursuant to the terms of the agreement, the Company shall provide services such non-life actuarial and reserving group support, non-life claims, finance and accounting, IT group services, internal audit support, group legal and compliance, CAT risk modeling and research, risk management group support, non-life underwriting operations and underwriting support to PRESE.

Capital Management Maintenance Agreement

Effective February 20, 2004, the Company maintains a Capital Management Maintenance Agreement with PReLtd. The agreement provides that PReLtd. will provide financial support based upon certain financial thresholds. The aggregate amount of contributions allowed during the life of the agreement is \$500 million. No contribution has been made related to this agreement since its inception.

Investment Management Agreement

Pursuant to an Amended and Restated Advisement and Investment Management Agreement, effective April 1, 2018, the Company appointed PRAM as its investment manager and attorney-in-fact to provide the Company with investment management, investment advice, and recommendations with respect to those assets which comprise the Company’s investment portfolio. PRAM is granted full discretionary authority with respect to the investment and reinvestment of Company assets, subject to specified terms and conditions in accordance with the respective investment guidelines.

The Company was also party to an Advisement and Investment Management Agreement effective May 10, 2010, and further amended effective June 14, 2011, with PartnerRe Principal Finance Inc. (“PPF”). Effective April 1, 2018, the Company transferred its assets under management by PPF to PRAM.

Effective August 20, 2018, pursuant to the terms of the Amended and Restated Advisement and Investment Management Agreement, PRUSCAN appointed PRAM as its investment manager and attorney-in-fact to provide PRUSCAN with investment management, investment advice, and recommendations with respect to those assets which comprise PRUSCAN’s investment portfolio. PRAM is granted full discretionary authority with respect to the investment and reinvestment of PRUSCAN’s assets, subject to specified terms and conditions in accordance with the respective investment guidelines.

Tax Allocation Agreement

Effective March 25, 1988, and subsequently amended on numerous occasions, the Company is a party to a tax allocation agreement with certain of its affiliates. Under the terms of the agreement, PRUSCAN computes the federal tax liability and the liability for each member of the group. The federal income tax provision is computed on a separate return basis and provides that the members of the consolidated group receive reimbursement for any foreign tax credits, investment credits, or losses of any carryover generated by it, to the extent actually used in the consolidated return and not used by the group in computing its separate return liability. The agreement was submitted to the Department pursuant to the provisions of Department Circular Letter No. 33 (1979).

Relating strictly to the Company’s Canadian branch business, PRUSCAN 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 Partner Reinsurance Europe Limited (“PREL”)
- Service Agreement effective January 1, 2011, and amended June 11, 2012, with PRCLCAN
- Service Agreement effective January 1, 2011, with PRCL
- Service Agreement effective December 1, 2011, with Partner Reinsurance Europe PLC
- Service Agreement effective November 1, 2017, with PartnerRe Life Reinsurance Company of Canada
- Service Agreement effective October 25, 2013, with PartnerRe Miami, Inc.

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

E. Significant Ratios

The following operating ratios, computed as of December 31, 2020, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders' surplus	178%
Adjusted liabilities to liquid assets	86%

The Company's two-year overall operating ratio of 103% falls outside of the benchmark range.

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$5,692,844,300	79.22%
Other underwriting expenses incurred	2,282,156,895	31.76
Net underwriting gain (loss)	<u>(788,790,640)</u>	<u>(10.98)</u>
Premiums earned	<u>\$7,186,210,555</u>	<u>100.00%</u>

The Company's reported risk-based capital ("RBC") score was 216.6% at December 31, 2020. The RBC score 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 score of 200% or below can result in regulatory action. There were no financial adjustments in this report that impacted the Company's RBC score.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities, and surplus as regards policyholders as of December 31, 2020, as reported by the Company:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$3,640,696,430	\$ 0	\$3,640,696,430
Cash	81,254,408	0	81,254,408
Cash equivalents	435,065,002	0	435,065,002
Short-term investments	198,092,557	0	198,092,557
Derivatives	195,798	195,798	0
Other invested assets	213,353,608	0	213,353,608
Investment income due and accrued	12,531,020	0	12,531,020
Uncollected premiums and agents' balances in the course of collection	94,403,351	0	94,403,351
Deferred premiums and agents' balances and installments booked but deferred and not yet due	763,348,024	0	763,348,024
Amounts recoverable from reinsurers	39,638,073	0	39,638,073
Funds held by or deposited with reinsured companies	64,195,428		64,195,428
Current federal and foreign income tax recoverable and interest thereon	105,612,306	0	105,612,306
Net deferred tax asset	81,987,830	42,772,706	39,215,124
Furniture and equipment, including health care delivery assets	2,522,570	2,522,570	0
Receivables from parent, subsidiaries, and affiliates	4,770,709	0	4,770,709
Deferred compensation	6,578,480	0	6,578,480
Loss portfolio transfer additional premium	7,272,615	0	7,272,615
Prepaid assets	145,599	145,599	0
Prepaid federal excise taxes	<u>246,945</u>	<u>246,945</u>	<u>0</u>
 Total assets	 <u>\$5,751,910,753</u>	 <u>\$45,883,618</u>	 <u>\$5,706,027,135</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and loss adjustment expenses	\$3,612,595,486
Reinsurance payable on paid losses and loss adjustment expenses	70,655,252
Commissions payable, contingent commissions and other similar Charges	(3,370,646)
Other expenses (excluding taxes, licenses and fees)	18,504,068
Unearned premiums	701,380,455
Ceded reinsurance premiums payable (net of ceding commissions)	33,512,242
Funds held by company under reinsurance treaties	14,955,216
Amounts withheld or retained by company for account of others	233,509
Remittances and items not allocated	27,624,547
Provision for reinsurance	1,650,371
Payable for securities	3,804,578
Assumed reserves portfolio transfer	43,289,334
Deferred compensation	7,513,407
Ceded bad debt allowance	1,643,223
Miscellaneous payable	888,138
Assumed bad debt allowance	59,342
Other liabilities	<u>1,629,617</u>
Total liabilities	\$4,536,568,139

Surplus and Other Funds

Common capital stock	\$ 4,800,000
Gross paid in and contributed surplus	942,171,686
Unassigned funds (surplus)	<u>222,487,310</u>
Surplus as regards policyholders	<u>\$1,169,458,996</u>
Total liabilities, surplus, and other funds	<u>\$5,706,027,135</u>

Note: During the examination period, the Company was not subject to audit by the Internal Revenue Service. 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 \$(178,665,257), as detailed below:

Underwriting Income

Premiums earned		\$7,186,210,555
Deductions:		
Losses and loss adjustment expenses incurred	\$5,692,844,300	
Other underwriting expenses incurred	<u>2,282,156,895</u>	
Total underwriting deductions		<u>7,975,001,195</u>
Net underwriting gain or (loss)		\$ (788,790,640)

Investment Income

Net investment income earned	\$ 517,170,879	
Net realized capital gains	<u>13,285,771</u>	
Net investment gain or (loss)		530,456,650

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ 497,392	
Miscellaneous	232,743	
Interest on funds held	<u>3,284,334</u>	
Total other income or (loss)		<u>4,014,469</u>
Net income (loss) before federal and foreign income taxes		\$ (254,319,521)
Federal and foreign income taxes incurred		<u>(75,654,264)</u>
Net income (loss)		\$ <u>(178,665,257)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$235,620,926 during the examination period January 1, 2016, through December 31, 2020, as reported by the Company, detailed as follows:

Surplus as regards policyholders, as reported by the Company as of December 31, 2015			\$1,405,079,922
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$178,665,257	
Net unrealized capital gains or (losses)		65,065,013	
Change in net unrealized foreign exchange capital gain or loss	\$ 18,443,536		
Change in net deferred income tax		3,187,806	
Change in nonadmitted assets		15,395,039	
Change in provision for reinsurance	2,545,774		
Surplus adjustments paid in	175,714,215		
Dividends to stockholders		169,000,000	
Unrecognized items – pension and provision for reinsurance	<u>0</u>	<u>1,011,336</u>	
Total gains and losses	\$196,703,525	\$432,324,451	
Net increase (decrease) in surplus			<u>(235,620,926)</u>
Surplus as regards policyholders, as reported by the Company as of December 31, 2020			<u>\$1,169,458,996</u>

As of December 31, 2020, 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 \$942,171,686. Gross paid in and contributed surplus increased by \$175,714,215 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2016	Beginning gross paid in and contributed surplus		\$766,457,471
2016	Surplus adjustments paid-in	\$(20,285,785)	
2018	Surplus contribution	76,000,000	
2019	Surplus contribution	95,000,000	
2020	Surplus contribution	<u>25,000,000</u>	
	Total adjustments		<u>175,714,215</u>
2020	Ending gross paid in and contributed surplus		<u>\$942,171,686</u>

In 2016, PRUS reported surplus adjustments attributed to stock compensation and related expenses. On December 12, 2018, the Company requested to receive a capital contribution from PRUSC in an amount not to exceed \$76 million. The Department approved this request on December 28, 2018. On August 1, 2019, the Company requested to receive a capital contribution from PRUSC in the amount of \$20 million. The Department approved this request on August 2, 2019. The Department also approved an additional \$75 million capital contribution from PRUSC on December 24, 2019. On December 23, 2020, the Company requested to receive a capital contribution from PRUSC in an amount not to exceed \$50 million. The Department approved this request on December 30, 2020, and the Company accepted a \$25 million capital contribution. In total, the Company received \$196 million in capital contributions from PRUSC during the examination period to support its ongoing business operations.

4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$3,683,277,486 is \$70,682,000 more than the \$3,612,595,486 reported by the Company in its December 31, 2020, filed annual statement. The Company recognized the deficiency in its nine-month reserve development in the Quarterly Statement as of September 30, 2021; as such, no further financial adjustments are needed. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

As of December 31, 2020, the Company's loss and loss adjustment expense reserves are concentrated in Other Liability – Occurrence (43.86%), Reinsurance – Nonproportional Assumed Liability (22.51%), and Allied Lines (6.92%).

5. **SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely

monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

On March 25, 2021, the Company requested Department approval for a capital contribution from PRUSC in the amount of \$100 million in support of its ongoing business operations. The Department approved this request on March 29, 2021, and the Company received the capital contribution on March 30, 2021.

On December 16, 2021, Exor Nederland N.V. announced that it had signed a definitive agreement with Covéa Cooperations S.A. (“Covéa”), under which Covéa will acquire PReLtd.’s common shares. The proposed transaction and consummation of this transaction is subject to regulatory approvals.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two recommendations as follows (page number refers to the prior report):

<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
	The Company has complied with this recommendation.	
B.	<u>Holding Company System</u>	
	The examiner recommends that the Company abide by the terms of the service agreement that was filed with the Department.	15
	The Company has complied with this recommendation.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

_____/S/_____
Justin Mathew
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Justin Mathew, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/S/_____
Justin Mathew

Subscribed and sworn to before me

this _____ day of _____, 2022

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, 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:

Justin Mathew

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 he 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 28th day of December, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief

