# Partner Reinsurance Company Ltd.

## Consolidated Financial Statements and Independent Auditors' Report

## December 31, 2021 and 2020

Building a better
working world

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
P.O. Box HM 463
Hamilton HM BX
BERMUDA

Tel: +1 441 295 7000
Fax: +1 441 295 5193
ey.com

# Report of Independent Auditors

The Board of Directors
Partner Reinsurance Company Ltd.

## Opinion

We have audited the consolidated financial statements of Partner Reinsurance Company Ltd. (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive income (loss), shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the net incurred losses and loss expenses, and net paid losses and loss expenses, for the year ending 2020 and prior and the average annual percentage payout of incurred claims by age, net of reinsurance disclosed on pages 31 through to 34 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young Ltd.

Hamilton, Bermuda
April 28, 2022

**Partner Reinsurance Company Ltd.**

**Consolidated Balance Sheets**
**(Expressed in thousands of U.S. dollars, except parenthetical share data)**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Investments: | | |
| Fixed maturities, at fair value (amortized cost: 2021, $3,555,988; 2020, $3,387,558) | **$ 3,459,336** | $ 3,511,924 |
| Short-term investments, at fair value (amortized cost: 2021, $70,601; 2020, $95,040) | **64,073** | 95,204 |
| Equities, at fair value (cost: 2021, $807,347; 2020, $780,251) | **1,610,248** | 1,405,354 |
| Other invested assets | **2,323,249** | 1,826,865 |
| **Total investments** | **7,456,906** | 6,839.347 |
| Cash and cash equivalents | **200,517** | 457,906 |
| Accrued investment income | **22,831** | 24,769 |
| Reinsurance balances receivable | **1,621,279** | 1,593,376 |
| Reinsurance recoverable on paid and unpaid losses | **862,024** | 319,096 |
| Prepaid reinsurance premiums | **17,782** | 19,780 |
| Funds held by reinsured companies | **951,153** | 939,442 |
| Deferred acquisition costs | **435,661** | 418,627 |
| Deposit assets | **78,990** | 88,990 |
| Intercompany loans and balances receivable | **1,159,121** | 1,241,642 |
| Goodwill | **26,014** | 26,014 |
| Intangible assets | **68,198** | 69,715 |
| Other assets | **35,354** | 26,581 |
| **Total assets** | **$ 12,935,830** | $ 12,065,285 |
| | | |
| **Liabilities** | | |
| Non-life reserves | **$ 5,228,895** | $ 4,987,829 |
| Life and health reserves | **1,590,752** | 1,571,226 |
| Unearned premiums | **953,556** | 949,164 |
| Other reinsurance balances payable | **281,742** | 191,656 |
| Intercompany loans and balances payable | **7,015** | 95,690 |
| Net taxes liabilities | **5,535** | 4,591 |
| Accounts payable, accrued expenses and other | **131,674** | 137,865 |
| **Total liabilities** | **8,199,169** | 7,938,021 |
| | | |
| **Shareholder's Equity** | | |
| Common shares (par value $1.00; issued: 2021 and 2020, 3,000 shares) | **3,000** | 3,000 |
| Additional paid-in capital | **1,643,886** | 1,643,886 |
| Accumulated other comprehensive loss | **(49,302)** | (41,819) |
| Retained earnings | **3,139,077** | 2,522,197 |
| **Total shareholder's equity** | **4,736,661** | 4,127,264 |
| **Total liabilities and shareholder's equity** | **$ 12,935,830** | $ 12,065,285 |

*See accompanying Notes to Consolidated Financial Statements.*

**Partner Reinsurance Company Ltd.**

**Consolidated Statements of Operations and Comprehensive Income (Loss)**
**(Expressed in thousands of U.S. dollars)**

| | For the year ended December 31, 2021 | For the year ended December 31, 2020 |
|---|---|---|
| **Revenues** | | |
| Gross premiums written | **$ 3,653,774** | $ 2,939,658 |
| | | |
| Net premiums written | **$ 3,194,637** | $ 2,776,775 |
| (Increase) decrease in unearned premiums | **(34,068)** | 139,169 |
| Net premiums earned | **3,160,569** | 2,915,944 |
| Net investment income | **123,599** | 137,820 |
| Interest income on intercompany loans | **20,174** | 2,321 |
| Net realized and unrealized investment gains | **238,652** | 331,364 |
| Other income | **14,937** | 12,972 |
| **Total revenues** | **3,557,931** | 3,400,421 |
| | | |
| **Expenses** | | |
| Losses and loss expenses | **2,231,709** | 2,459,739 |
| Acquisition costs | **641,473** | 660,479 |
| Other operating expenses | **28,850** | 30,397 |
| Amortization of intangible assets | **1,517** | 1,606 |
| Net foreign exchange (gains) losses | **(208,551)** | 286,233 |
| **Total expenses** | **2,694,998** | 3,438,454 |
| | | |
| **Income (loss) before taxes and interest in earnings (losses) of equity method investments** | **862,933** | (38,033) |
| Income tax (expense) benefit | **(3,215)** | 98 |
| Interest in earnings (losses) of equity method investments | **107,162** | (10,942) |
| **Net income (loss)** | **$ 966,880** | $ (48,877) |
| | | |
| **Comprehensive income (loss)** | | |
| Net income (loss) | **$ 966,880** | $ (48,877) |
| Change in net unrealized (losses) gains on investments | **(128)** | 6 |
| Change in currency translation adjustment | **(7,355)** | 43,956 |
| **Comprehensive income (loss)** | **$ 959,397** | $ (4,915) |

*See accompanying Notes to Consolidated Financial Statements.*

**Partner Reinsurance Company Ltd.**

**Consolidated Statements of Shareholder's Equity**
**(Expressed in thousands of U.S. dollars)**

| | For the year ended December 31, 2021 | For the year ended December 31, 2020 |
|---|---|---|
| **Common shares** | | |
| Balance at beginning and end of year | **$ 3,000** | $ 3,000 |
| | | |
| **Additional paid-in capital** | | |
| Balance, beginning and end of year | **$ 1,643,886** | $ 1,643,886 |
| | | |
| **Accumulated other comprehensive loss** | | |
| Balance, beginning of year | **(41,819)** | (85,781) |
| Change in net unrealized (losses) gains on investments | **(128)** | 6 |
| Change in currency translation adjustment | **(7,355)** | 43,956 |
| Balance, end of year | **$ (49,302)** | (41,819) |
| | | |
| **Retained earnings** | | |
| Balance, beginning of year | **2,522,197** | 2,576,367 |
| Net income (loss) | **966,880** | (48,877) |
| Dividends on common shares | **(350,000)** | — |
| Cumulative effect of adoption of accounting guidance (Note 2) | — | (5,293) |
| Balance, end of year | **$ 3,139,077** | 2,522,197 |
| | | |
| **Total shareholder's equity** | **$ 4,736,661** | $ 4,127,264 |

*See accompanying Notes to Consolidated Financial Statements.*

**Partner Reinsurance Company Ltd.**

**Consolidated Statements of Cash Flows**
**(Expressed in thousands of U.S. dollars)**

| | For the year ended December 31, 2021 | For the year ended December 31, 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) | **$ 966,880** | $ (48,877) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Amortization of intangible assets | **1,517** | 1,606 |
| Amortization of deferred gains | **(70,000)** | (9,186) |
| Amortization of net premium (discount) on investments | **7,153** | 2,497 |
| Net realized and unrealized investment gains | **(238,652)** | (331,364) |
| Changes in: | | |
| Reinsurance balances, net | **(73,419)** | 144,514 |
| Reinsurance recoverable on paid and unpaid losses, net of ceded premiums payable | **(435,825)** | 27,958 |
| Funds held by reinsured companies | **(60,420)** | 35,564 |
| Deferred acquisition costs | **(31,326)** | 39,651 |
| Net tax assets and liabilities | **1,041** | 4,675 |
| Non-life and life and health reserves | **455,897** | 264,393 |
| Unearned premiums | **34,068** | (139,169) |
| Other net changes in operating assets and liabilities | **(274,731)** | 304,076 |
| **Net cash provided by operating activities** | **282,183** | 296,338 |
| **Cash flows from investing activities** | | |
| Sales of fixed maturities | **1,589,157** | 2,868,067 |
| Redemptions of fixed maturities | **542,980** | 363,464 |
| Purchases of fixed maturities | **(2,279,368)** | (3,695,506) |
| Sales and redemptions of short-term investments | **116,731** | 2,270,348 |
| Purchases of short-term investments | **(92,058)** | (1,932,661) |
| Sales of equities | **126,180** | 59,169 |
| Purchases of equities | **(134,676)** | (112,041) |
| Net intercompany balances receivable(1) | **(209,035)** | (111,561) |
| Sales of other invested assets | **836,230** | 432,066 |
| Purchase of other invested assets | **(911,536)** | (383,628) |
| Other, net | **10,000** | 9,987 |
| **Net cash provided by (used in) investing activities** | **(405,395)** | (232,296) |
| **Cash flows from financing activities(1)** | | |
| Payments on behalf of Parent | **(127,441)** | (173,720) |
| **Net cash used in financing activities** | **(127,441)** | (173,720) |
| **Effect of foreign exchange rate changes on cash** | **(6,736)** | 13,553 |
| **Decrease in cash and cash equivalents** | **(257,389)** | (96,125) |
| **Cash and cash equivalents—beginning of year** | **457,906** | 554,031 |
| **Cash and cash equivalents—end of year** | **$ 200,517** | $ 457,906 |
| **Supplemental cash flow information:** | | |
| Taxes paid | **$ 3,033** | $ 3,485 |

*(1) The payments on behalf of the Parent included in financing activities above of $127.4 million resulted in an increase in intercompany loans and balances receivable from its Parent, PartnerRe Ltd. The Company declared non-cash dividends to its Parent of $350.0 million and nil for the year ended December 31, 2021 and 2020 respectively. These non-cash dividends resulted in a reduction of intercompany loans and balances receivable.*

*See accompanying Notes to Consolidated Financial Statements.*

## 1. Organization

Partner Reinsurance Company Ltd. (the Company) is a 100% owned subsidiary of PartnerRe Ltd. (the Parent). At December 31, 2021 and 2020, over 99.7% of the Parent's total common shares were owned by EXOR Nederland N.V., which is a subsidiary of the ultimate parent company, EXOR N.V. (Exor). The Company commenced operations in November 1993.

The Company is licensed as a Class 4 and Class E insurer under the Insurance Act 1978 of Bermuda and related regulations, as amended (the Insurance Act) and is therefore authorized to carry on general and long-term insurance business in Bermuda. Non-life risks reinsured include agriculture, aviation/space, casualty, catastrophe, energy, engineering, financial risks, marine, motor, multiline, and property. Life and health risks reinsured include mortality, morbidity and longevity.

The Company also enters into reinsurance contracts with subsidiaries of the Parent. As of December 31, 2021, this includes ongoing quota-share agreements with Partner Reinsurance Europe SE (PartnerRe Europe), Partner Reinsurance Asia Pte. Ltd (PartnerRe Asia), and PartnerRe Life Reinsurance Company of Canada (PartnerRe Canada) and stop loss agreements with PartnerRe Asia, Partner Reinsurance Company of the U.S. Canada Branch and PartnerRe Ireland Insurance dac. Refer to Note 15(a) for further details.

The consolidated financial statements of the Company include the financial position and results of operations of its wholly-owned subsidiary, Partner Reinsurance Life Company of Bermuda Ltd. (PartnerRe Life, or PRLCBL), which was subsequently merged with the Company on February 15, 2022. The Company also maintains an operating branch in Canada and a representative office in Mexico. The Canada branch is licensed to write life and accident and sickness business in Ontario, limited to reinsurance and is subject to regulation in Canada by the Office of the Superintendent of Financial Institutions (OSFI). Refer to Note 16 for further details.

On December 16, 2021, Exor announced that it had signed a definitive agreement with Covéa Cooperations S.A. (Covéa), under which Covéa will acquire PartnerRe Ltd.'s common shares. Preferred shares issued by PartnerRe Ltd. will not be included in the proposed transaction, and consummation of this transaction is expected in mid-2022 and is subject to customary closing conditions, including antitrust, regulatory and other approvals.

## 2. Significant Accounting Policies

The Company’s Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the Consolidated Financial Statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Company’s principal estimates include:

- Non-life reserves;
- Life and health reserves;
- Reinsurance recoverable for unpaid losses;
- Gross and net premiums written and net premiums earned;
- Recoverability of deferred acquisition costs;
- Valuation of certain investments that are measured using significant unobservable inputs; and
- Valuation of goodwill and intangible assets.

The following are the Company's significant accounting policies:

***(a) Premiums***

Gross premiums written and earned are based upon reports received from ceding companies, supplemented by the Company's own estimates of premiums written and earned for which ceding company reports have not been received. The determination of premium estimates requires a review of the Company's experience with cedants, familiarity with each market, an understanding of the characteristics of each line of business and management's assessment of the impact of various other factors on the volume of business written and ceded to the Company. Premium estimates are updated as new information is received from cedants and differences between such estimates and actual amounts are recorded in the period in which the estimates are changed or the actual amounts are determined. Net premiums written and earned are presented net of ceded premiums.

Premiums related to non-life business are earned on a basis that is consistent with the risks covered under the terms of the reinsurance contracts, which is generally one to two years. Reinstatement premiums are recognized as written and earned at the time a loss event occurs, where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The accrual of reinstatement premiums is based on management's estimate of losses and loss expenses associated with the loss event. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force.

Premiums related to life and annuity business are recorded over the premium-paying period on the underlying policies. Premiums on contracts for which there is no significant mortality or critical illness risk are accounted for in a manner consistent with accounting for interest-bearing financial instruments and are not reported as revenues, but rather as direct deposits to the contract. Amounts assessed against annuity and universal life policyholders are recognized as revenue in the period assessed.

***(b) Losses and Loss Expenses***

The reserves for non-life business include amounts determined from loss reports on individual treaties (case reserves), additional case reserves when the Company's loss estimate is higher than reported by the cedants (ACRs) and amounts for losses incurred but not yet reported to the Company (IBNR). Such reserves are estimated by management based upon reports received from ceding companies, supplemented by the Company's own actuarial estimates of reserves for which ceding company reports have not been received, and based on the Company's own historical experience. To the extent that the Company's own historical experience is inadequate for estimating reserves, such estimates may be determined based upon industry experience and management's judgment. The estimates are regularly reviewed and the ultimate liability may be materially in excess of, or less than, the amounts provided. Any adjustments are reflected in the periods in which they are determined, which may affect the Company's operating results in future periods. See Note 7(a) for further details.

The life and health reserves have been established based upon information reported by ceding companies, supplemented by the Company's actuarial estimates, which for life include mortality, morbidity, critical illness, persistency and future investment income, with appropriate provision to reflect uncertainty. For traditional and limited payment long-duration contracts, the assumptions are locked in at contract inception and are subject to annual loss recognition testing. Future policy benefit reserves for annuity and universal life contracts are carried at their accumulated values. Reserves for policy claims and benefits include both mortality, morbidity and critical illness claims in the process of settlement, and claims that have been incurred but not yet reported. See Note 7(b) for further details.

***(c) Deferred Acquisition Costs***

Acquisition costs, comprising primarily incremental brokerage fees, commissions and excise taxes, which vary directly with, and are related to, the acquisition of reinsurance contracts, are capitalized and charged to expense as the related premium is earned. All other acquisition related costs, including indirect costs, are expensed as incurred. Acquisition costs are shown net of commissions earned on ceded reinsurance.

Acquisition costs related to individual life and annuity contracts are deferred and amortized over the premium-paying periods in proportion to anticipated premium income, allowing for lapses, terminations and anticipated investment income. Acquisition costs related to universal life and single premium annuity contracts for which there is no significant mortality or critical illness risk are deferred and amortized over the lives of the contracts as a percentage of the estimated gross profits expected to be realized on the contracts.

The Company establishes a premium deficiency reserve to the extent the deferred acquisition costs are insufficient to cover the excess of expected losses and loss expenses, settlement costs and deferred acquisition costs over the related unearned premiums. Actual and anticipated losses and loss expenses, other costs, and investment income related to underlying premiums are considered in determining the recoverability of deferred acquisition costs for the Company's short-duration contracts. Actual and anticipated loss experience, together with the present value of future gross premiums, the present value of future benefits, and settlement and maintenance costs are considered in determining the recoverability of deferred acquisition costs related to the Company's life and annuity business.

***(d) Reinsurance***

The Company purchases retrocessional contracts to reduce its exposure to risk of losses on reinsurance assumed. Ceded premiums, which represent the cost of retrocessional protection purchased by the Company, are expensed over the coverage period. Prepaid reinsurance premiums represent the portion of premiums ceded applicable to the unexpired term of policies in force.

Reinsurance recoverable on paid and unpaid losses involves actuarial estimates consistent with those used to establish the associated liabilities for non-life and life and health reserves and are recorded net of a valuation allowance for estimated uncollectible recoveries.

Retroactive reinsurance reimburses a ceding company for liabilities incurred as a result of past insurable events covered under contracts subject to the reinsurance. Premiums payable for retroactive reinsurance coverage meeting the conditions of reinsurance accounting are reported as reinsurance recoverables. To the extent that recorded liabilities on an underlying reinsurance contract exceed premiums payable for retroactive coverage, a deferred gain is recognized in Accounts payable, accrued expenses and other on the Company's Consolidated Balance Sheets.

***(e) Funds Held by Reinsured Companies***

The Company writes certain business on a funds held basis. Under such contractual arrangements, the cedant retains the premiums that would have otherwise been paid to the Company and the Company is credited with investment income on these funds. The Company generally earns investment income on the funds held balances based upon a predetermined interest rate, either fixed contractually at the inception of the contract or based upon a recognized index (e.g. LIBOR, SOFR). However, in certain circumstances, the Company may receive an investment return based upon either the result of a pool of assets held by the cedant, generally used to collateralize the funds held balance, or the investment return earned by the cedant on its entire investment portfolio. In these arrangements, investment returns are typically reflected in Net investment income in the Company's Consolidated Statements of Operations. In these arrangements, the Company is exposed, to a limited extent, to the underlying credit risk of the pool of assets inasmuch as the underlying policies may have guaranteed minimum returns. In such cases, an embedded derivative exists and its fair value is recorded by the Company as an increase or decrease to the funds held balance.

***(f) Deposit Assets***

In the normal course of its operations, the Company writes certain contracts that do not meet the risk transfer provisions of U.S. GAAP. The Company's deposit assets relate to receivables included as an element of certain life reinsurance agreements that do not meet risk transfer.

***(g) Investments***

The Company elects the fair value option for Fixed maturities and Equities with changes in fair value recorded in Net realized and unrealized investment gains or losses in the Consolidated Statements of Operations.

Short-term investments, which comprise securities with a maturity greater than three months but less than one year from the date of purchase, are recorded at fair value by electing either the fair value option with changes in fair value recorded in Net realized and unrealized gains or losses included in the Consolidated Statements of Operations.

The Company recognizes Other invested assets at fair value, except for those that are accounted for using the equity method of accounting. Other invested assets consist of equity investments in non-publicly traded companies; privately placed corporate loans, notes and loans receivable and notes securitization; and derivative financial instruments. Non-publicly traded entities in which the Company has significant influence are accounted for using either the equity method or the fair value option. Where the equity method is used, the Company's share of profits or losses of the investee are recorded in Interest in earnings or losses of equity method investees in the Consolidated Statements of Operations. Where the fair value option is elected, the investment is recognized in the Consolidated Balance Sheets at fair value with changes in fair value recorded in Net realized and unrealized investment gains or losses in the Consolidated Statements of Operations. Refer to Note 2(m) below for significant accounting policy for derivatives.

Net investment income includes interest and dividend income, amortization of premiums and discounts on fixed maturities and short-term investments, and is net of investment expenses and withholding taxes. Investment income is recognized when earned and accrued to the balance sheet date. Realized gains or losses on the disposal of investments are determined on a first-in, first-out basis. Investment purchases and sales are recorded on a trade-date basis.

The Company defines fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures the fair value of financial instruments according to a fair value hierarchy that prioritizes the information used to measure fair value into three broad levels. The Company’s policy is to recognize transfers between the hierarchy levels at the beginning of the period. Refer to Note 3 for the valuation techniques used by the Company.

***(h) Cash and Cash Equivalents***

Cash equivalents are carried at fair value and include fixed income securities that, from the date of purchase, have a maturity of three months or less.

***(i) Goodwill***

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a historical acquisition by PartnerRe Europe, which was re-allocated from PartnerRe Europe to the Company during 2012. The Company assesses the appropriateness of its valuation of goodwill on an annual basis (as of December 31) or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If, as a result of the assessment, the Company determines that the value of its goodwill is impaired, goodwill will be written down in the period in which the determination is made.

***(j) Intangible Assets***

Intangible assets represent the fair value adjustments related to value of life business acquired (life VOBA). This intangible asset is being amortized over its expected life of 100 years (see Note 6) and the amortization expense is recorded in the Consolidated Statement of Operations.

***(k) Income Taxes***

Certain subsidiaries and the branch of the Company operate in jurisdictions where they are subject to taxation. Current and deferred income taxes are charged or credited to Net income or loss or, in certain cases, to Accumulated other comprehensive income or loss, based upon enacted tax laws and rates applicable in the relevant jurisdiction in the period in which the tax becomes accruable or realizable. Deferred income taxes are provided for all temporary differences between the bases of assets and liabilities used in the Consolidated Balance Sheets and those used in the various jurisdictional tax returns. When management’s assessment indicates that it is more likely than not that deferred tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets. Where appropriate, the valuation allowance assessment considers tax planning strategies.

The Company recognizes a tax benefit relating to uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. A liability is recognized for any tax benefit (along with any interest and penalty, if applicable) claimed in a tax return in excess of the amount recognized in the financial statements under U.S. GAAP. Any changes in amounts recognized are recorded in the period in which they are determined.

***(l) Foreign Exchange***

In recording foreign currency transactions, revenue and expense items in a currency other than the functional currency are converted into the functional currency at the average rates of exchange for the period. Monetary assets and liabilities originating in currencies other than the functional currency are remeasured into the functional currency at the rates of exchange in effect at the balance sheet dates. The resulting foreign exchange transaction gains or losses are included in Net foreign exchange gains or losses in the Consolidated Statements of Operations. Non-monetary assets and liabilities denominated in foreign currency are not subsequently remeasured.

The reporting currency of the Company is the U.S. dollar. The national currencies of the Company's subsidiaries and branch is generally their functional currencies, except for the Company's wholly owned subsidiary, Partner Reinsurance Life Company of Bermuda Ltd. and the Canada branch, whose functional currency is the Canadian dollar. In translating the financial statements of those subsidiaries or branch whose functional currency is other than the U.S. dollar, assets and liabilities are converted into U.S. dollars using the rates of exchange in effect at the balance sheet dates, and revenues and expenses are converted using the average foreign exchange rates for the period. The effect of translation adjustments are reported in the Consolidated Balance Sheets as Currency translation adjustment, a separate component of Accumulated other comprehensive income or loss. The change in currency translation adjustment is reflected in Other comprehensive income or loss.

***(m) Derivatives***

The Company's investment strategy allows for the use of certain derivative instruments, subject to strict limitations. The Company may use derivative financial instruments such as foreign exchange forward contracts, foreign currency option contracts, futures contracts, to-be-announced mortgage-backed securities (TBAs), total return swaps, interest rate swaps, insurance-linked securities, and credit default swaps for the purpose of managing overall currency risk, market exposures and portfolio duration, for hedging certain investments, or for enhancing investment performance that would be allowed under the Company's investment policy if implemented in other ways.

On the date the Company enters into a derivative contract, management determines whether or not the derivative is to be used and designated as a hedge of an identified underlying risk exposure (a designated hedge). The Company's derivative instruments are recorded in Other invested assets in the Consolidated Balance Sheets at fair value, with gains and losses associated with changes in fair value recognized in either Net realized and unrealized investment gains or losses or Net foreign exchange gains or losses in the Consolidated Statements of Operations, or in Other comprehensive income, depending on the nature and designation of the derivative instrument (see also Note 5).

The Company formally documents all relationships between designated hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. In this documentation, the Company specifically identifies the asset or liability that has been designated as a hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. The Company formally measures effectiveness of its designated hedging relationships both at the hedge inception and on an ongoing basis.

The Company will discontinue hedge accounting prospectively if it is determined that the derivative is no longer effective in hedging the exposure to variability in expected future cash flows that is attributable to the risk it was meant to hedge; if the derivative instrument expires, is sold, or is otherwise terminated; or if the Company removes the designation of the hedge. To the extent that the Company discontinues hedge accounting because, based on management's assessment, the derivative no longer qualifies as an effective hedge, or the Company otherwise de-designates the hedge, the derivative will continue to be carried in the Consolidated Balance Sheet at its fair value, with changes in its fair value recognized in in the Consolidated Statements of Operations, or in Other comprehensive income, depending on the type of derivative held.

***(n) Variable Interest Entities***

The Company is involved in the normal course of business with variable interest entities (VIEs). An assessment is performed as of the date the Company becomes initially involved in the VIE followed by a reassessment upon certain events related to its involvement in the VIE. The Company consolidates a VIE when it is the primary beneficiary having a controlling financial interest as a result of having the power to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses, or right to receive benefits, that could potentially be significant to the VIE.

***(o) Recent Accounting Pronouncements***

*Adopted during 2021*

In October 2020, the FASB issued updated guidance to clarify that callable debt securities should be reevaluated each reporting period to determine if the amortized cost exceeds the amount repayable by the issuer at the next earliest call date and, if so, the excess should be amortized to the next call date. This guidance is effective for fiscal years beginning after December 15, 2020, and the Company adopted this guidance effective January 1, 2021 on a prospective basis for existing or newly purchased callable debt securities. The adoption did not have a material impact on the Company's Consolidated Financial Statements.

*Adopted during 2020*

In June 2016, the FASB issued updated guidance on the recognition of credit losses by replacing the incurred loss impairment methodology with new accounting models related to how credit losses on financial instruments are determined. The new guidance is applicable to financial assets measured at amortized cost such as loans, reinsurance receivables, trade receivables, debt securities, off-balance sheet credit exposures, and other financial assets that have a contractual right to receive cash. The Company's investments, except for certain Other invested assets that are accounted for using the equity method of accounting, are measured at fair value through net income, and therefore those investments are not impacted by the adoption of this guidance. The guidance is effective for annual periods beginning after December 15, 2022, with early adoption permitted. The Company adopted the guidance on January 1, 2020 and recorded an after-tax cumulative effect adjustment as a decrease to retained earnings of $5.3 million upon adoption. Refer to Notes 8(a) and 13(a) for further information regarding the impacts of adoption of this guidance.

In January and April 2017, the FASB issued updated guidance on the accounting for goodwill impairment. This update removes the second step of the goodwill impairment test and requires entities to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The guidance is effective for annual impairment tests in fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted the guidance effective January 1, 2020. The adoption did not have a material impact on the company's Consolidated Financial Statements.

In August 2018, the FASB issued updated guidance to the disclosure requirements for fair value measurement as part of the disclosure framework project. The updated guidance allows for the removal and modification of certain disclosures to improve the effectiveness of disclosures in the notes to financial statements. This guidance is effective for fiscal years beginning after December 15, 2019. The Company adopted this guidance effective January 1, 2020. As the guidance is disclosure-related only, it did not have a material impact on the Company's Consolidated Financial Statements. Refer to Note 3 for the relevant disclosures.

*Not yet adopted*

In August 2018 and November 2020, the FASB issued updated guidance and the amended updates to improve financial reporting for insurance companies that issue long duration contracts such as life insurance and annuities. The objective of the new guidance is to improve, simplify, and enhance the financial reporting of long-duration contracts. These updates amend four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts:

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be reviewed at least annually and updated, if necessary. Assumptions no longer allow a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in Net income or loss. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate used in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in Other comprehensive income or loss.

- The update requires certain contract features meeting the definition of market risk benefits to be measured at fair value. Among the features included in this definition are guaranteed minimum death benefit (GMDB) products. The change in fair value of the market risk benefits is to be recognized in Net income or loss, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in Other comprehensive income or loss.

- The update simplifies the amortization of Deferred acquisition costs and other balances, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are not subject to recoverability testing.

- The update also introduces disclosure requirements around the liability for future policy benefits, market risk benefits and deferred acquisition costs. This includes disaggregated rollforward of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

The guidance is effective for fiscal years beginning after December 15, 2024 for non public entities and will be adopted using the modified retrospective method for all topics except for market risk benefits, which must be applied using the full retrospective method. The Company has created a governance framework and is managing a detailed implementation plan to support the timely application of the new guidance. During 2021, we continued to progress our implementation plan, refining key accounting policy decisions, technology solutions and updates to internal controls. Given the nature and extent of the changes, this guidance may have a material impact on our Consolidated Financial Statements, including a reduction in Shareholders' Equity primarily due to the impact of updating interest rates, and will require significant new disclosures. The Company plans early adoption in 2023.

In March 2020, the FASB issued guidance which provides optional expedients and exceptions for applying U.S. GAAP to modification of contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. Along with the optional expedients, the amendments include a general principle that permits an entity to consider contract modifications due to reference reform to be an event that does not require contract re-measurement at the modification date or reassessment of a previous accounting determination. This guidance may be elected over time through December 31, 2022 as reference rate reform activities occur. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures.

## 3. Fair Value

### *(a) Fair Value of Financial Instrument Assets*

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s assumptions about what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The level in the hierarchy within which a given fair value measurement falls is determined based on the lowest level input that is significant to the measurement.

The Company determines the appropriate level in the hierarchy for each financial instrument that it measures at fair value. In determining fair value, the Company uses various valuation approaches, including market, income and cost approaches. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 inputs—Unadjusted, quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

  The Company’s financial instruments that it measures at fair value using Level 1 inputs generally include equities listed on a major exchange.

- Level 2 inputs—Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets and significant directly or indirectly observable inputs, other than quoted prices, used in industry accepted models.

  The Company’s financial instruments that it measures at fair value using Level 2 inputs generally include: U.S. government issued bonds; U.S. government sponsored enterprises bonds; certain U.S. state, territory and municipal entities bonds; non-U.S. sovereign government, supranational and government related bonds; investment grade and high yield corporate bonds; mortgage-backed securities; short-term investments; certain common and preferred equities; foreign exchange forward contracts; and interest rate swaps.

- Level 3 inputs—Unobservable inputs.

The Company’s financial instruments that it measures at fair value using Level 3 inputs generally include: inactively traded fixed maturities including certain corporate bonds; special purpose financing asset-backed bonds; unlisted or private equities; certain other mutual fund equities; privately placed corporate loans, notes and loans receivables and notes securitizations included in Other invested assets; and certain other derivatives, including weather derivatives, longevity insurance-linked securities and total return swaps included in Other invested assets.

At December 31, 2021 and 2020, the Company's financial instruments measured at fair value were classified between Levels 1, 2 and 3 as follows (in thousands of U.S. dollars):

| December 31, 2021 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Fixed maturities | | | | |
| U.S. government and government sponsored enterprises | $ — | $ 288,876 | $ — | $ 288,876 |
| U.S. states, territories and municipalities | — | 1,124 | — | 1,124 |
| Non-U.S. sovereign government, supranational and government related | — | 773,488 | — | 773,488 |
| Corporate bonds | — | 1,100,047 | — | 1,100,047 |
| Asset-backed securities | — | — | 16,764 | 16,764 |
| Residential mortgage-backed securities | — | 1,279,037 | — | 1,279,037 |
| Fixed maturities | $ — | $ 3,442,572 | $ 16,764 | $ 3,459,336 |
| Short-term investments | $ — | $ 64,073 | $ — | $ 64,073 |
| Equities | | | | |
| Insurance | $ — | $ 18 | $ — | $ 18 |
| Real estate investment trusts | 34,447 | — | — | 34,447 |
| Industrials | 74 | — | 117 | 191 |
| Consumer non-cyclical | 343 | — | 10,081 | 10,424 |
| Consumer cyclical | — | — | 1,394 | 1,394 |
| Energy | 1,111 | — | 2,368 | 3,479 |
| Diversified | — | — | 5,000 | 5,000 |
| Mutual funds | — | — | 1,555,295 | 1,555,295 |
| Equities | $ 35,975 | $ 18 | $ 1,574,255 | $ 1,610,248 |
| Other invested assets | | | | |
| Derivative assets | | | | |
| Foreign exchange forward contracts | $ — | $ 4,785 | $ — | $ 4,785 |
| Insurance-linked securities | — | — | 5,663 | 5,663 |
| Total return swaps | — | — | 153 | 153 |
| Other | | | | |
| Corporate loans [1] | — | — | 774,117 | 774,117 |
| Notes and loan receivables and notes securitization | — | — | 4,380 | 4,380 |
| Private equities | — | — | 857,254 | 857,254 |
| Derivative liabilities | | | | |
| Interest rate swaps | — | (225) | — | (225) |
| Foreign exchange forward contracts | — | (6,563) | — | (6,563) |
| Total return swaps | — | — | (1,079) | (1,079) |
| Other invested assets | $ — | $ (2,003) | $ 1,640,488 | $ 1,638,485 |
| Total | $ 35,975 | $ 3,504,660 | $ 3,231,507 | $ 6,772,142 |

| December 31, 2020 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| Fixed maturities | | | | |
| U.S. government and government sponsored enterprises | $ — | $ 333,373 | $ — | $ 333,373 |
| U.S. states, territories and municipalities | — | 4,978 | — | 4,978 |
| Non-U.S. sovereign government, supranational and government related | — | 894,146 | — | 894,146 |
| Corporate bonds | — | 1,178,668 | 16,530 | 1,195,198 |
| Asset-backed securities | — | — | 17,528 | 17,528 |
| Residential mortgage-backed securities | — | 1,066,701 | — | 1,066,701 |
| Fixed maturities | $ — | $ 3,477,866 | $ 34,058 | $ 3,511,924 |
| Short-term investments | $ — | $ 95,204 | $ — | $ 95,204 |
| Equities | | | | |
| Finance | $ 213 | $ — | $ — | $ 213 |
| Insurance | — | 117 | — | 117 |
| Industrials | — | — | 39 | 39 |
| Consumer non-cyclical | — | — | 5,559 | 5,559 |
| Consumer cyclical | 13,312 | — | 475 | 13,787 |
| Energy | — | — | 1,042 | 1,042 |
| Diversified | — | — | 3,099 | 3,099 |
| Mutual funds | — | — | 1,381,498 | 1,381,498 |
| Equities | $ 13,525 | $ 117 | $ 1,391,712 | $ 1,405,354 |
| Other invested assets | | | | |
| Derivative assets | | | | |
| Foreign exchange forward contracts | $ — | $ 1,426 | $ — | $ 1,426 |
| Insurance-linked securities | — | — | 3,074 | 3,074 |
| Total return swaps | — | — | 796 | 796 |
| Equity options - asset | — | — | 223 | 223 |
| Other | | | | |
| Corporate loans (1) | — | — | 610,056 | 610,056 |
| Notes and loan receivables and notes securitization | — | — | 4,434 | 4,434 |
| Private equities | — | — | 455,341 | 455,341 |
| Derivative liabilities | | | | |
| Interest rate swaps | — | (603) | — | (603) |
| Foreign exchange forward contracts | — | (10,214) | — | (10,214) |
| Total return swaps | — | — | (3,152) | (3,152) |
| Other invested assets | $ — | $ (9,391) | $ 1,070,772 | $ 1,061,381 |
| Total | $ 13,525 | $ 3,563,796 | $ 2,496,542 | $ 6,073,863 |

*(1) Corporate loans include a portfolio of third-party, individually managed privately issued corporate loans that are managed under an externally managed mandate with a fair value of $703.5 million and $498.1 million at December 31, 2021 and 2020, respectively. The mandate primarily invests in U.S. floating rate, first lien, senior secured broadly syndicated loans with a focus on facility sizes greater than $300 million. Corporate loans also include $70.6 million and $112.0 million of other privately issued corporate loans at December 31, 2021 and 2020, respectively.*

At December 31, 2021 and 2020, the aggregate carrying amounts of items included in Other invested assets that the Company did not measure at fair value were $684.8 million and $765.5 million, respectively, which related to the Company's investments that are accounted for using the equity method of accounting. Refer to Note 4(f) for further information on the Company's equity method investments.

At December 31, 2021 and 2020, the carrying value of accrued investment income approximated fair value due to its short-term nature.

During the year ended December 31, 2021, there were $39 thousand transfered from Level 3 to Level 1 due to the availability of quoted prices in active markets. During the year ended December 31, 2020, there were no transfers into or out of Level 3.

Disclosures about the fair value of financial instruments that the Company does not measure at fair value exclude insurance contracts and certain other financial instruments. At December 31, 2021 and 2020, the fair values of financial instrument assets recorded in the Consolidated Balance Sheets not described above approximate their carrying values.

The reconciliations of the beginning and ending balances for all financial instruments measured at fair value using Level 3 inputs for the years ended December 31, 2021 and 2020, were as follows (in thousands of U.S. dollars):

| For the year ended December 31, 2021 | Balance at beginning of year | Realized and unrealized investment gains (losses) included in net income | Purchases | Settlements and sales [1] | Net transfers into/ (out of) Level 3 | Balance at end of year |
|---|---|---|---|---|---|---|
| Fixed maturities | | | | | | |
| Corporate bonds | $ 16,530 | $ 165 | $ — | $ (16,695) | $ — | $ — |
| Asset-backed securities | 17,528 | — | — | (764) | — | 16,764 |
| Fixed maturities | $ 34,058 | $ 165 | $ — | $ (17,459) | $ — | $ 16,764 |
| Equities | | | | | | |
| Industrials | $ 39 | $ 117 | $ — | $ — | $ (39) | $ 117 |
| Diversified | 3,098 | 1,902 | — | — | — | 5,000 |
| Energy | 1,042 | 1,321 | — | 5 | — | 2,368 |
| Consumer cyclical | 475 | (916) | 1,835 | — | — | 1,394 |
| Consumer non-cyclical | 5,559 | 4,522 | — | — | — | 10,081 |
| Mutual funds | 1,381,498 | 193,581 | 58,184 | (77,968) | — | 1,555,295 |
| Equities | $ 1,391,711 | $ 200,527 | $ 60,019 | $ (77,963) | $ (39) | $ 1,574,255 |
| Other invested assets | | | | | | |
| Derivatives, net | $ 941 | $ 3,796 | $ — | $ — | $ — | $ 4,737 |
| Corporate loans | 610,056 | 65,638 | 520,089 | (421,666) | — | 774,117 |
| Notes and loan receivables and notes securitization | 4,434 | (54) | — | — | — | 4,380 |
| Private equities | 455,341 | 244,897 | 384,059 | (227,043) | — | 857,254 |
| Other invested assets | $ 1,070,772 | $ 314,277 | $ 904,148 | $ (648,709) | $ — | $ 1,640,488 |
| Total | $ 2,496,541 | $ 514,969 | $ 964,167 | $ (744,131) | $ (39) | $ 3,231,507 |

(1) *Settlements and sales of Fixed maturities, Equities and Other invested assets include sales of $17.5 million, $78.0 million, and $$503.6 million, respectively. Sales of Other invested assets of $503.6 million included sales of corporate loans of $276.6 million, private equities of $227.0 million.*

| For the year ended December 31, 2020 | Balance at beginning of year | Realized and unrealized investment gains (losses) included in net income | Purchases | Settlements and sales [(1)] | Net transfers into/ (out of) Level 3 | Balance at end of year |
|---|---|---|---|---|---|---|
| Fixed maturities | | | | | | |
| U.S. states, territories and municipalities | $ 143,427 | $ (5,785) | $ — | $ (137,642) | $ — | $ — |
| Corporate bonds | 18,687 | (128) | — | (2,029) | — | 16,530 |
| Asset-backed securities | 18,228 | — | — | (700) | — | 17,528 |
| Fixed maturities | $ 180,342 | $ (5,913) | $ — | $ (140,371) | $ — | $ 34,058 |
| Equities | | | | | | |
| Industrial | $ — | $ (491) | $ 530 | $ — | $ — | $ 39 |
| Diversified | — | (706) | 3,805 | — | — | 3,099 |
| Energy | — | 1,141 | — | (99) | — | 1,042 |
| Consumer cyclical | — | — | 475 | — | — | 475 |
| Consumer non-cyclical | — | — | 5,559 | — | — | 5,559 |
| Mutual funds | 1,174,846 | 185,072 | 47,391 | (25,811) | — | 1,381,498 |
| Equities | $ 1,174,846 | $ 185,016 | $ 57,760 | $ (25,910) | $ — | $ 1,391,712 |
| Other invested assets | | | | | | |
| Derivatives, net | $ (657) | $ (8,292) | $ 4,886 | $ 5,004 | $ — | $ 941 |
| Corporate loans | 864,718 | (21,219) | 316,885 | (550,328) | — | 610,056 |
| Notes and loan receivables and notes securitization | 3,085 | 124 | 4,447 | (3,222) | — | 4,434 |
| Private equities | 413,468 | 71,334 | 60,008 | (89,469) | — | 455,341 |
| Other invested assets | $ 1,280,614 | $ 41,947 | $ 386,226 | $ (638,015) | $ — | $ 1,070,772 |
| Total | $ 2,635,802 | $ 221,050 | $ 443,986 | $ (804,296) | $ — | $ 2,496,542 |

_____________

(1) *Settlements and sales of Equities and Other invested assets include sales of $25.9 million, and $571.2 million, respectively. Sales of Other invested assets of $571.2 million included sales of corporate loans of $485.5 million, private equities of $88.0 million. Settlements and sales of Fixed maturities include a $120 million reduction associated with the sale of the Company's interest in PartnerRe Capital Investments Corp. ("PCIC") as described in Note 15(b).*

The significant unobservable inputs used in the valuation of financial instruments measured at fair value using Level 3 inputs at December 31, 2021 and 2020 were as follows (fair value in thousands of U.S. dollars):

| December 31, 2021 | Fair value | Valuation techniques | Unobservable inputs | Range (Weighted average) [(1)] |
|---|---|---|---|---|
| Other invested assets | | | | |
| Total return swaps, net | (926) | Discounted cash flow | Credit spreads | 2.4% - 41.3% (36.5%) |
| Insurance-linked securities - longevity swaps | 5,663 | Discounted cash flow | Credit spreads | 1.7% (1.7%) |

| December 31, 2020 | Fair value | Valuation techniques | Unobservable inputs | Range (Weighted average) (1) |
|---|---|---|---|---|
| Fixed maturities | | | | |
| Asset-backed securities | 17,528 | Discounted cash flow | Credit spreads | 4.7% (4.7%) |
| Other invested assets | | | | |
| Total return swaps, net | (2,356) | Discounted cash flow | Credit spreads | 2.7% – 36.7% (29.8%) |
| Insurance-linked securities - longevity swaps | 3,074 | Discounted cash flow | Credit spreads | 2.7% (2.7%) |
| Private equity – funds | 151,402 | Lag reported market value | Net asset value, as reported | 100.0% (100.0%) |
| | | | Market adjustments | 16.0% (16.0%) |

*(1) Unobservable inputs were weighted by the relative fair value of the instruments.*

The tables above do not include financial instruments that are measured using unobservable inputs (Level 3) where the unobservable inputs were obtained from external sources and used without adjustment. These financial instruments include corporate bonds (included within Fixed maturities), equities and mutual fund investments (included within Equities), certain private equity funds (private equity funds included within Other invested assets), privately placed corporate loans (included within Other invested assets), and certain derivatives (included within Other invested assets).

Changes in the fair value of the Company's financial instruments subject to the fair value option during the years ended December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Fixed maturities and short-term investments | **$ (232,172)** | $ 66,015 |
| Equities | **178,594** | 161,433 |
| Other invested assets | **135,862** | 67,154 |
| Total | **$ 82,284** | $ 294,602 |

Substantially all of the above changes in fair value are included in the Consolidated Statements of Operations under the caption Net realized and unrealized investment gains (losses). The change in the fair value of Other invested assets subject to the fair value option does not include certain derivatives.

The following methods and assumptions were used by the Company in estimating the fair value of each class of financial instrument recorded in the Consolidated Balance Sheets. There have been no material changes in the Company's valuation techniques during the periods presented.

*Fixed maturities*

- *U.S. government and government sponsored enterprises*—consists primarily of bonds issued by the U.S. Treasury and corporate debt securities issued by government sponsored enterprises and federally owned or established corporations. These securities are generally priced by independent pricing services. The independent pricing services may use actual transaction prices for securities that have been actively traded. For securities that have not been actively traded, each pricing source has its own proprietary method to determine the fair value, which may incorporate option adjusted spreads (OAS), interest rate data and market news. The Company generally classifies these securities in Level 2.
- *U.S. states, territories and municipalities*— consists primarily of bonds issued by U.S. states, territories and municipalities. These securities are generally priced by independent pricing services using the techniques described for U.S. government and government sponsored enterprises above. The Company generally classifies these securities in Level 2.
- *Non-U.S. sovereign government, supranational and government related*—consists primarily of bonds issued by non-U.S. national governments and their agencies, non-U.S. regional governments and supranational organizations. These securities are generally priced by independent pricing services using the techniques

described for U.S. government and government sponsored enterprises above. The Company generally classifies these securities in Level 2.

- *Corporate bonds*—consists primarily of bonds issued by U.S. and foreign corporations covering a variety of industries and issuing countries. Corporate securities also include real estate investment trusts, catastrophe bonds, longevity and mortality bonds and government guaranteed corporate debt. These securities are generally priced by independent pricing services and brokers. The pricing provider incorporates information including credit spreads, interest rate data and market news into the valuation of each security. The Company generally classifies these securities in Level 2. When a corporate security is inactively traded or the valuation model uses unobservable inputs, the Company classifies the security in Level 3.
- *Asset-backed securities*—consists of special purpose financing securities. Special purpose financing securities are generally inactively traded and are priced based on valuation models using unobservable inputs (credit spreads). The Company generally classifies these securities in Level 3. A significant increase (decrease) in credit spreads in isolation could result in a significantly lower (higher) fair value measurement.
- *Residential mortgage-backed securities*—primarily consists of bonds issued by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, as well as private, non-agency issuers. These residential mortgage-backed securities are generally priced by independent pricing services and brokers. When current market trades are not available, the pricing provider or the Company will employ proprietary models with observable inputs including other trade information, prepayment speeds, yield curves and credit spreads. The Company generally classifies these securities in Level 2.

In general, the methods employed by the independent pricing services to determine the fair value of the securities that have not been actively traded primarily involve the use of "matrix pricing" in which the independent pricing source applies the credit spread for a comparable security that has traded recently to the current yield curve to determine a reasonable fair value. The Company generally uses one pricing source per security and uses a pricing service ranking to consistently select the most appropriate pricing service in instances where it receives multiple quotes on the same security. When fair values are unavailable from these independent pricing sources, quotes are obtained directly from broker-dealers who are active in the corresponding markets. Most of the Company's fixed maturities are priced from the pricing services or dealer quotes. The Company will typically not make adjustments to prices received from pricing services or dealer quotes; however, in instances where the quoted external price for a security uses significant unobservable inputs, the Company will classify that security as Level 3. The methods used to develop and substantiate the unobservable inputs used are based on the Company's valuation policy and are dependent upon the facts and circumstances surrounding the individual investments which are generally transaction specific. The Company's inactively traded fixed maturities are classified as Level 3. For all fixed maturity investments, the bid price is used for estimating fair value.

*Short-term investments*

Short-term investments are valued in a manner similar to the Company's fixed maturity investments and are generally classified in Level 2.

*Equities*

Equity securities include U.S. and foreign common and preferred stocks, real estate investment trusts and mutual funds. Publicly traded equities are generally classified in Level 1 as the Company uses prices received from independent pricing sources based on quoted prices in active markets. Equities classified as Level 2 are generally mutual funds invested in fixed income securities, where the net asset value of the fund is provided on a daily basis, and certain common and preferred equities. Equities classified as Level 3 are generally mutual funds invested in securities other than the common stock of publicly traded companies, where the net asset value is not provided on a daily basis, and inactively traded common stocks. For these investments, the Company utilizes prices from third-party sources without adjustment.

*Other invested assets*

The Company's foreign exchange forward contracts and interest rate swaps are generally classified as Level 2 within the fair value hierarchy and are priced by independent pricing services.

Included in the Company's Level 3 classification, in general, are certain derivatives, including weather derivative insurance-linked securities and total return swaps; privately placed corporate loans; notes and loan receivables and notes securitizations; and private equities. For Level 3 instruments, the Company will generally (i) receive a price based on a manager's or trustee's valuation for the asset; (ii) develop an internal discounted cash flow model to measure fair value; or (iii) use market return information, adjusted if necessary and weighted using management's judgment, from comparable selected publicly traded equity funds in a similar region and of a similar size. Where the Company receives prices from the manager or trustee, these prices are based on the manager's or trustee's estimate of fair value for the assets and are generally audited on an annual basis. Where the Company develops its own discounted cash flow models, the inputs will be specific to the asset in question, based on appropriate historical information, adjusted as necessary, and using appropriate discount rates. The significant unobservable inputs used in the fair value measurement of other invested assets classified as Level 3 include credit spreads and gross revenue to fair value ratios. Significant unobservable inputs used in the fair value measurement of other invested assets classified as Level 3 also include market return information, weighted using management's judgment, from comparable selected publicly traded companies in the same industry, in a similar region and of a similar size. As part of the Company's modeling to determine the fair value of an investment, the Company considers counterparty credit risk as an input to the model, however, the majority of the Company's counterparties are investment grade rated institutions and the failure of any one counterparty would not have a significant impact on the Company's consolidated financial statements.

### *(b) Fair Value of Financial Instrument Liabilities*

At December 31, 2021 and 2020, the carrying values of financial instrument liabilities recorded in the Consolidated Balance Sheets approximate their fair values. Disclosures about the fair value of financial instrument liabilities exclude insurance contracts and certain other financial instruments.

## 4. Investments

### *(a) Net Realized and Unrealized Investment Gains (Losses)*

The components of the net realized and unrealized investment gains (losses) for the years ended December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Net realized investment gains on fixed maturities and short-term investments | **$ 31,435** | $ 50,746 |
| Net realized investment gains on equities | **20,986** | 19,421 |
| Net realized gains (losses) on other invested assets | **99,579** | (27,536) |
| Change in net unrealized investment (losses) gains on fixed maturities and short-term investments | **(232,172)** | 66,015 |
| Change in net unrealized investment gains on equities | **178,594** | 161,433 |
| Change in net unrealized gains on other invested assets | **140,230** | 61,285 |
| Total net realized and unrealized investment gains | **$ 238,652** | $ 331,364 |

### *(b) Net Investment Income*

The components of net investment income for the years ended December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Fixed maturities | **$ 91,728** | $ 103,549 |
| Other invested assets | **43,955** | 44,308 |
| Short-term investments, cash and cash equivalents | **2,242** | 5,790 |
| Equities, funds held and other (1) | **19,403** | 11,647 |
| Investment expenses | **(33,729)** | (27,474) |
| Net investment income | **$ 123,599** | $ 137,820 |

*(1) The Company generally earns investment income on funds held by reinsured companies, including the quota-share agreement with PartnerRe Europe (see Note 15), based upon a predetermined interest rate, either fixed contractually at the inception of the contract or based upon a recognized index (e.g., LIBOR). Interest rates ranged from 0.3% to 7.3% for the year ended December 31, 2021 and from 0.3% to 5.3% for the year ended December 31, 2020.*

***(c) Pledged and Restricted Assets***

At December 31, 2021 and 2020, approximately $33.2 million and $80.5 million, respectively, of cash and cash equivalents and approximately $2,539.8 million and $2,059.3 million, respectively, of securities were deposited, pledged, held in trust or escrow accounts in favor of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws.

The Company operates a multi-beneficiary U.S. reinsurance trust (the trust) to enable its U.S. cedants to take statutory financial statement credit without the need to post contract-specific security. The trust is required to maintain sufficient assets to support both its liabilities related to some of its U.S. cedants, for contracts incepting after June 2010, and a minimum surplus of $20.0 million. At December 31, 2021 and 2020, assets held by the trust exceeded liabilities and minimum surplus by $238.1 million and $148.1 million, respectively. The Company is currently approved to utilize the trust in all U.S. jurisdictions.

***(d) Receivable for Securities Sold and Payable for Securities Purchased***

At December 31, 2021 and 2020, receivables for securities sold of $24.9 million and $14.6 million, respectively, were recorded within Other assets in the Consolidated Balance Sheets. At December 31, 2021 and 2020, payables for securities purchased of $123.3 million and $62.8 million, respectively, were recorded within Accounts payable, accrued expenses, and other in the Consolidated Balance Sheets.

***(e) Variable Interest Entities***

The Company holds variable interests in VIEs including certain limited liability companies for partnerships, fixed maturity investments and asset-backed securities. The holdings in these VIEs are reported within Fixed maturities and Other invested assets in the Company’s Consolidated Balance Sheets. The Company’s involvement in these entities is, for the most part, passive in nature. The Company’s maximum exposure to loss with respect to these investments is limited to the amounts invested in and advanced to the VIEs, and any unfunded commitments.

***(f) Equity Method Investments***

Investments accounted for under the equity method at December 31, 2021 and 2020, totaled $684.8 million and $765.5 million, respectively. At December 31, 2021 and 2020, the Company held a 36% shareholding in the privately held United Kingdom real estate investment and development group, Almacantar Group Limited (Almacantar), accounted for under the equity method. At December 31, 2021 and 2020, the total carrying value of this investment was $560.7 million and $494.1 million, respectively, included within Other invested assets in the Consolidated Balance Sheets.

***5. Derivatives***

The Company’s objectives for holding or issuing derivatives are as follows:

Foreign Exchange Forward Contracts—The Company utilizes foreign exchange forward contracts as part of its overall currency risk management and investment strategies.

Futures Contracts —The Company uses exchange traded treasury note futures contracts to manage portfolio duration and equity futures to hedge certain investments.

Insurance-linked Securities—The Company enters into various derivatives for which the underlying risks reference parametric weather risks and pandemic outbreaks, in addition to longevity total return swaps for which the underlying risks reference longevity risks.

Total Return and Interest Rate Swaps—The Company enters into total return swaps referencing certain investments in Other invested assets. The Company enters into interest rate swaps to mitigate the interest rate risk on certain of the total return swaps and certain fixed maturity investments.

TBAs—The Company utilizes TBAs as part of its overall investment strategy and to enhance investment performance.

There were no derivatives designated as hedges for the years ended December 31, 2021 and 2020. The net fair values of derivatives included in Other invested assets within the Company's Consolidated Balance Sheets and the related net notional exposures at December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| **December 31, 2021** | **Asset derivatives at fair value** | **Liability derivatives at fair value** | **Net derivatives** | |
|---|---|---|---|---|
| | | | **Fair value** | **Net notional exposure** |
| **Derivatives not designated as hedges** | | | | |
| Foreign exchange forward contracts | **$ 4,785** | **$ (6,563)** | **$ (1,778)** | **$ 1,489,347** |
| Insurance-linked securities (1) | **5,663** | **—** | **5,663** | **13,700** |
| Total return swaps | **153** | **(1,079)** | **(926)** | **31,519** |
| Interest rate swaps (2) | **—** | **(225)** | **(225)** | **—** |
| **Total derivatives not designated as hedges** | **$ 10,601** | **$ (7,867)** | **$ 2,734** | |

| December 31, 2020 | Asset derivatives at fair value | Liability derivatives at fair value | Net derivatives | |
|---|---|---|---|---|
| | | | Fair value | Net notional exposure |
| Derivatives not designated as hedges | | | | |
| Foreign exchange forward contracts | $ 1,426 | $ (10,214) | $ (8,788) | $ 1,757,538 |
| Insurance-linked securities (1) | 3,074 | — | 3,074 | 15,350 |
| Total return swaps | 796 | (3,152) | (2,356) | 31,580 |
| Other | 223 | — | 223 | — |
| Interest rate swaps (2) | — | (603) | (603) | — |
| Total derivatives not designated as hedges | $ 5,519 | $ (13,969) | $ (8,450) | |

*(1) Insurance-linked securities include longevity swaps for which the notional amounts are not reflective of the overall potential exposure of the swaps. The net notional exposure above included the Company's best estimate of the present value of future expected claims.*

*(2) The Company enters into interest rate swaps to mitigate notional exposures on certain total return swaps and certain fixed maturities. The net notional exposure for interest rate swaps above relates to fixed maturities.*

The gains and (losses) in the Consolidated Statements of Operations for derivatives not designated as hedges for the years ended December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| | **2021** | 2020 |
|---|---|---|
| Foreign exchange forward contracts | **$ 103,859** | $ (148,352) |
| **Total included in net foreign exchange gains and losses** | **$ 103,859** | $ (148,352) |
| Insurance-linked securities | **2,807** | (2,683) |
| Total return swaps | **1,430** | 845 |
| Interest rate swaps | **378** | (8,364) |
| TBAs | **(22)** | (162) |
| Other | **(223)** | 1,301 |
| **Total included in net realized and unrealized investment gains and losses** | **$ 4,370** | $ (9,063) |
| **Total gains (losses) on derivatives not designated as hedges** | **$ 108,229** | $ (157,415) |

*Offsetting of Derivatives*

The gross and net fair values of derivatives that are subject to offsetting in the Consolidated Balance Sheets at December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| | | | | Gross amounts not offset in the balance sheet | | |
|---|---|---|---|---|---|---|
| **December 31, 2021** | **Gross amounts recognized (1)** | **Gross amounts offset in the balance sheet** | **Net amounts of assets / liabilities presented in the balance sheet** | **Financial instruments** | **Cash collateral received / pledged** | **Net amount** |
| Total derivative assets | **$ 10,601** | **$ —** | **$ 10,601** | **$ 1,079** | **$ (30,204)** | **$ (18,524)** |
| Total derivative liabilities | **$ (7,867)** | **$ —** | **$ (7,867)** | **$ (1,079)** | **$ 1,671** | **$ (7,275)** |
| **December 31, 2020** | | | | | | |
| Total derivative assets | $ 5,519 | $ — | $ 5,519 | $ 16,906 | $ (26,853) | $ (4,428) |
| Total derivative liabilities | $ (13,969) | $ — | $ (13,969) | $ (16,906) | $ 5,781 | $ (25,094) |

(1) *Amounts include all derivative instruments, irrespective of whether there is a legally enforceable master netting arrangement in place.*

## 6. Goodwill and Intangible Assets

The Company's goodwill was re-allocated to the Company from PartnerRe Europe during 2012 (see Note 2(i)). The Company's intangible asset (see Note 2(j)) relates to life VOBA from the Parent's acquisition of Aurigen Capital Limited (Aurigen Capital) in 2017. Aurigen Capital owned 100% of Aurigen Reinsurance Limited (ARL). In 2018, Aurigen Capital merged into the Parent, with the Parent being the sole survivor. The Parent's share interest in ARL was transferred to the Company and ARL was then merged into PartnerRe Life, with PartnerRe Life being the sole survivor, resulting in the Company's recognition of life VOBA.

The Company's goodwill and intangible assets were as follows at December 31, 2021 and 2020 (in thousands of U.S. dollars):

| | **Goodwill** | **Intangible assets** |
|---|---|---|
| Balance at January 1, 2021 | $ 26,014 | $ 69,715 |
| Intangible assets amortization[(1)] | n/a | (1,517) |
| Balance at December 31, 2021 | $ 26,014 | $ 68,198 |

| | **Goodwill** | **Intangible assets** |
|---|---|---|
| Balance at January 1, 2020 | $ 26,014 | $ 71,321 |
| Intangible assets amortization[(1)] | n/a | (1,606) |
| Balance at December 31, 2020 | $ 26,014 | $ 69,715 |

*n/a: Not applicable*

(1) *The life VOBA is a definite-lived intangible asset which is being amortized over 100 years from the date of acquisition of Aurigen Capital by PartnerRe Ltd. on April 3, 2017.*

As of December 31, 2021, the gross carrying amount and accumulated amortization of the Company's intangible assets were $82.2 million and $14.0 million, respectively. As of December 31, 2020, the gross carrying amount and accumulated amortization were $82.2 million and $12.5 million, respectively.

The estimated future amortization expense related to the Company's definite-lived intangible assets is as follows (in thousands of U.S. dollars):

| Year | Intangible assets |
|---|---|
| 2022 | $ 2,478 |
| 2023 | 2,272 |
| 2024 | 2,296 |
| 2025 | 2,070 |
| 2026 | 1,892 |
| Thereafter | 57,190 |
| Total | $ 68,198 |

## *7.* Non-life and Life and Health Reserves

### (a) Non-life Reserves

Non-life reserves are categorized into three types of reserves: case reserves, ACRs and IBNR reserves. Case reserves represent unpaid losses reported by the Company's cedants and recorded by the Company. ACRs are established for particular circumstances where, on the basis of individual loss reports, the Company estimates that the particular loss or collection of losses covered by a treaty may be greater than those advised by the cedant. IBNR reserves represent a provision for claims that have been incurred but not yet reported to the Company, as well as future loss development on losses already reported, in excess of the case reserves and ACRs. See also Note 2(b).

The reconciliation of the beginning and ending gross and net liability for non-life reserves for the years ended December 31, 2021 and 2020 was as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Gross liability at beginning of year | **$ 4,987,829** | $ 4,659,112 |
| Reinsurance recoverable at beginning of year | **288,481** | 305,516 |
| Net liability at beginning of year | **4,699,348** | 4,353,596 |
| Net incurred losses related to: | | |
| Current year | **1,482,775** | 1,602,845 |
| Prior years | **(95,048)** | 35,744 |
| | **1,387,727** | 1,638,589 |
| Net paid losses related to: | | |
| Current year | **(122,032)** | (230,733) |
| Prior years | **(1,196,529)** | (1,212,400) |
| | **(1,318,561)** | (1,443,133) |
| Retroactive reinsurance recoverable | **(88,432)** | — |
| Effects of foreign exchange rate changes and other | **(134,845)** | 150,296 |
| Net liability at end of year | **4,545,237** | 4,699,348 |
| Reinsurance recoverable at end of year | **683,658** | 288,481 |
| Gross liability at end of year | **$ 5,228,895** | $ 4,987,829 |

***Prior Years' Reserve Development***

Reported net favourable loss development for prior accident years during the year ended December 31, 2021 was driven by favorable loss emergence in both the P&C and Specialty segments. The favorable loss emergence within the Specialty segment was across multiple accident years, predominantly from financial risks lines. The favorable loss emergence within the P&C segment was primarily from a refinement of loss estimates for certain large catastrophic events from accident years 2017 - 2019.

Reported net adverse loss development for prior accident years during the year ended December 31, 2020 was driven by adverse loss emergence in the Specialty business, which was partially offset by favorable loss emergence for the P&C business. Aggregate losses reported in 2020 for the P&C business were better than Company's expectations as losses for most lines of business continue to emerge below expectations. This was partially offset by adverse activity primarily in P&C Asia catastrophe. Aggregate losses reported in 2020 for the Specialty business were worse than Company's expectations as losses for most of the recent underwriting years were worse than expected. The worse than expected loss emergence within the Specialty business was predominantly driven by Specialty Property, Engineering, Marine and Energy (SPEME), Specialty Other, Agriculture, and Aviation. The Company reflected this experience by adjusting the selected loss ratios accordingly for these lines of business.

***Retroactive Reinsurance Recoverable***

During the second quarter of 2021, the Company entered into a loss portfolio transfer and adverse development cover agreement related to prior underwriting years on the Company's U.S. casualty and auto business within the P&C segment. Premium paid for the loss portfolio transfer and adverse development cover agreement, resulted in a cash transfer for the premium at inception of the agreement, and a reinsurance recoverable of $88.4 million at December 31, 2021. At December 31, 2021 and as a result of adverse prior years reserve development ceded under this agreement, a deferred gain of $4.2 million was recorded in Accounts payable, accrued expense and other in the Consolidated Balance Sheet. This transaction is presented retrospectively in the net loss and loss expenses incurred development table for the Casualty business in Section (c) below. Reinsurance recoveries under this transaction are attributed to calendar year and accident year based on the underlying distribution of losses subject to the agreement.

***Asbestos and Environmental Claims***

The Company's net non-life reserves at December 31, 2021 and 2020 included $22.8 million and $22.9 million, respectively, related to asbestos and environmental claims. The gross liability for such claims at December 31, 2021 and 2020 was $22.8 million and $22.9 million, respectively.

Ultimate loss estimates for such claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating the Company's potential losses for these claims. In view of the legal and tort environment that affect the development of such claims, the uncertainties inherent in estimating asbestos and environmental claims are not likely to be resolved in the near future. There can be no assurance that the reserves established by the Company will not be adversely affected by development of other latent exposures, and further, there can be no assurance that the reserves established by the Company will be adequate. The Company does, however, actively evaluate potential exposure to asbestos and environmental claims and establishes additional reserves as appropriate. The Company believes that it has made a reasonable provision for these exposures and is unaware of any specific issues that would materially affect its unpaid losses and loss expense reserves related to this exposure.

***Non-life Reserving methods***

The reserving methods commonly employed by the Company are summarized as follows:

*Chain Ladder (CL) Development Methods (Reported or Paid)*

These methods use the underlying assumption that losses reported (paid) for each underwriting year at a particular development stage follow a stable pattern. The CL development method assumes that on average, every underwriting year will display the same percentage of ultimate liabilities reported by the Company's cedants at 24 months after the inception of the underwriting year. The percentages reported (paid) are established for each development stage after examining historical averages from the loss development data. These are sometimes supplemented by external benchmark information. Ultimate liabilities are estimated by multiplying the actual reported (paid) losses by the reciprocal of the assumed reported (paid) percentage. Reserves are then calculated by subtracting paid claims from the estimated ultimate liabilities.

*Expected Loss Ratio (ELR) Method*

This method estimates ultimate losses for an underwriting year by applying an estimated loss ratio to the earned premium for that underwriting year. Although the method is insensitive to actual reported or paid losses, it can often be useful at the early stages of development when very few losses have been reported or paid, and the principal sources of information available to the Company consist of information obtained during pricing and qualitative information supplied by the cedant. However, the lack of sensitivity to reported or paid losses means that the method is usually inappropriate at later stages of development.

*Bornhuetter-Ferguson (B-F) Methods (Reported or Paid)*

These methods aim to address the variability at early stages of development and incorporates external information such as pricing. The B-F methods are more sensitive to reported and paid losses than the ELR method, and can be seen as a blend of the ELR and CL development methods. Unreported (unpaid) claims are calculated using an expected reporting (payment) pattern and an externally determined estimate of ultimate liabilities (usually determined by multiplying an a priori loss ratio with estimates of premium volume). The accuracy of the a priori loss ratio is a critical assumption in this method. Usually a priori loss ratios are initially determined on the basis of pricing information, but may also be adjusted to reflect other information that subsequently emerges about underlying loss experience.

*Loss Event Specific Method*

The ultimate losses estimated under this method are derived from estimates of specific events based on reported claims, client and broker discussions, review of potential exposures, market loss estimates, modeled analysis and other event specific criteria.

*Method Weights*

In determining the loss reserves, the Company often relies on a blend of the results from two or more methods (e.g., weighted averages). The judgment as to which of the above method(s) is most appropriate for a particular underwriting year and reserving cell could change over time as new information emerges regarding underlying loss activity and other data issues. Furthermore, as each line is typically composed of several reserving cells, it is likely that the reserves for the line will be dependent on several reserving methods. This is because reserves for a line are the result of aggregating the reserves for each constituent reserving cell and that a different method could be selected for each reserving cell.

The principal reserving methods used for each of the Specialty business and P&C business were ELR, Reported/Paid B-F, and Reported/Paid CL, with the exception of catastrophe risks within the P&C business where the principal reserving methods used were ELR based on exposure analysis and loss event specific methods.

**(b) Life and Health Reserves**

The reconciliation of the beginning and ending gross and net liability for life and health reserves for the years ended December 31, 2021 and 2020 was as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Gross and net liability at beginning of period | **$ 1,571,226** | $ 1,401,934 |
| Net incurred losses (1) | **843,982** | 821,150 |
| Net losses paid | **(893,088)** | (754,226) |
| Effects of foreign exchange rate changes and other (2) | **68,632** | 102,368 |
| Gross and net liability at end of period | **$ 1,590,752** | $ 1,571,226 |

(1) *During 2021 and 2020, certain life and health treaties were recaptured, resulting in total gains upon recapture of $81.6 million and $17.0 million respectively, recorded as a reduction to net incurred losses.*
(2) *Effects of foreign exchange rate changes and other includes the net assumption of $55.8 million of reserves resulting from an amendment to increase the internal quota share from PartnerRe Europe effective July 1, 2021. The Company received assets of approximately the same amount as part of the amendment. Refer to Note 15(a).*

Net incurred losses includes unfavorable prior years' loss development of $3 million and $31 million during the year ended December 31, 2021 and 2020 driven by the Company's disability business.

The Company used interest rate assumptions to estimate its liabilities for policy benefits for life and annuity contracts which ranged from 0% to 11% at December 31, 2021 and December 31, 2020, respectively.

***Life and health reserving methods***

The reserving methods commonly employed by the Company are summarized as follows:

*Mortality*

The reserves for the short-term mortality/morbidity business consist of case reserves calculated at the treaty level based upon cedant information. IBNR is calculated at the segment level using the ELR method described above for Non-life business.

The reserves for the traditional and limited payment long-duration contracts are established based upon accepted actuarial valuation methods which require us to make certain assumptions regarding future claims and policy benefits and includes a provision for adverse deviation. The provision for adverse deviation contemplates reasonable deviations from the best estimate assumptions for the key risk elements relevant to the product being evaluated, including mortality, disability, critical illness, expenses, and discount rates. The assumptions are locked in at contract inception and are subject to annual loss recognition testing (LRT). LRT occurs at the product group level, based on the manner of acquiring, servicing and measuring profitability of the reinsurance contracts. The LRT framework incorporates deferred acquisition cost (DAC) recoverability testing and involves determining an LRT reserve by re-measuring the policy benefit liabilities using current best estimate actuarial assumptions and current discount rates without any provisions for adverse deviation. If the aggregate LRT reserve is higher than the carrying amount of future policy benefit liabilities, net of DAC and VOBA, for a particular product grouping then a loss recognition event occurs. The DAC and VOBA asset balances for the given product grouping are first reduced, and if the balances are fully written off, the reserves will be increased, such that the current best estimate assumptions become the new locked-in basis.

The reserves for the guaranteed minimum death benefit (GMDB) reinsurance business are established similar to provisions for universal life contracts. Key actuarial assumptions for this business are mortality, lapses, interest rates, expected returns on cash and bonds and stock market performance. For the latter parameter, a stochastic option pricing approach is used and the benefits used in calculating the liabilities are based on the average benefits payable over a range of scenarios. The assumptions of investment performance and volatility are consistent with expected future experience of the respective underlying funds available for policyholder investment options. Recorded reserves for GMDB reflect management's best estimate based upon actuarial indications.

*Longevity*

Reserves for the annuity portfolio of reinsurance contracts within the longevity book are established using the reserving methodology discussed above for long-term traditional mortality.

**(c) Losses and Loss Expenses**

Losses and loss expenses in the Consolidated Statements of Operations for the years ended December 31, 2021 and 2020 was as follows (in thousands of U.S. dollars):

| | **2021** | 2020 |
|---|---|---|
| Net incurred losses related to: | | |
| Non-life | **$ 1,387,727** | $ 1,638,589 |
| Life and health | **843,982** | 821,150 |
| Losses and loss expenses | **$ 2,231,709** | $ 2,459,739 |

*Non-life net incurred and paid losses and loss expense development*

The net incurred and paid losses and loss expenses development by accident year for each of the years ended December 31, 2012 through 2021, and the total of IBNR plus expected development on reported claims included within the net incurred claims amounts, as at each of the years ended December 31, 2012 through 2021, are presented in the tables below (in thousands of U.S. dollars).

The information presented below for incurred and paid claims development and the average annual percentage payout of incurred claims by age, net of reinsurance, for each of the years ended December 31, 2012 through 2020 is presented as supplementary information and is unaudited. The tables below reflect losses incurred and paid losses translated to U.S. dollars at the exchange rate as of the balance sheet date whereas the losses and loss expenses in the Consolidated Statement of Operations reflected losses incurred at the average exchange rate for the period.

**NET INCURRED LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - NON-LIFE**

| | For the year ended December 31, | | | | | | | | | | December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **Total of IBNR plus expected development on reported claims** |
| **2012** | $ 1,018,180 | $ 1,103,087 | $ 979,551 | $ 928,608 | $ 1,015,815 | $ 980,504 | $ 923,081 | $ 909,266 | $ 902,889 | $ 895,855 | $ 4,895 |
| **2013** | — | 1,119,823 | 1,175,778 | 1,092,572 | 977,804 | 1,011,982 | 1,037,438 | 1,036,574 | 1,025,470 | 1,016,698 | 14,665 |
| **2014** | — | — | 1,089,227 | 1,170,241 | 1,115,668 | 1,111,455 | 1,112,499 | 1,109,238 | 1,098,599 | 1,095,524 | 33,959 |
| **2015** | — | — | — | 1,077,890 | 1,165,315 | 1,138,357 | 1,138,160 | 1,140,742 | 1,125,645 | 1,120,685 | 40,564 |
| **2016** | — | — | — | — | 1,093,669 | 1,177,228 | 1,150,614 | 1,149,813 | 1,147,314 | 1,157,972 | 67,361 |
| **2017** | — | — | — | — | — | 1,536,331 | 1,727,817 | 1,692,526 | 1,672,556 | 1,681,893 | 99,050 |
| **2018** | — | — | — | — | — | — | 1,351,910 | 1,629,793 | 1,664,861 | 1,664,559 | 143,579 |
| **2019** | — | — | — | — | — | — | — | 1,202,150 | 1,494,859 | 1,469,283 | 264,065 |
| **2020** | — | — | — | — | — | — | — | — | 1,628,246 | 1,562,995 | 657,978 |
| **2021** | — | — | — | — | — | — | — | — | — | 1,342,855 | 1,012,508 |
| **Total** | | | | | | | | | | **$ 13,008,319** | **2,338,624** |

**NET PAID LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - NON-LIFE**

**For the year ended December 31,**

| **Accident year** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|---|---|---|---|---|---|
| **2012** | $ 135,026 | $ 421,264 | $ 567,095 | $ 631,431 | $ 668,414 | $ 713,719 | $ 732,457 | $ 753,577 | $ 761,003 | $ 766,543 |
| **2013** | — | 136,101 | 555,119 | 714,747 | 803,606 | 858,927 | 896,679 | 923,612 | 938,248 | 947,303 |
| **2014** | — | — | 162,414 | 595,426 | 737,463 | 834,020 | 890,945 | 932,864 | 968,189 | 988,397 |
| **2015** | — | — | — | 156,181 | 536,185 | 725,508 | 836,461 | 901,595 | 946,543 | 979,185 |
| **2016** | — | — | — | — | 151,993 | 581,552 | 757,205 | 893,215 | 952,008 | 990,937 |
| **2017** | — | — | — | — | — | 266,355 | 898,396 | 1,123,218 | 1,297,184 | 1,355,120 |
| **2018** | — | — | — | — | — | — | 147,281 | 719,527 | 1,050,614 | 1,240,231 |
| **2019** | — | — | — | — | — | — | — | 212,208 | 697,694 | 1,004,283 |
| **2020** | — | — | — | — | — | — | — | — | 184,118 | 628,006 |
| **2021** | — | — | — | — | — | — | — | — | — | **123,078** |
| **Total** | | | | | | | | | | **$ 9,023,083** |

| | |
|---|---|
| Net reserves for Accident Years and exposures included in the triangles | 3,985,236 |
| All outstanding liabilities before Accident Year 2012, net of reinsurance | 510,618 |
| Total outstanding net liabilities for unpaid claims | **$ 4,495,854** |

**AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED CLAIMS BY AGE, NET OF REINSURANCE - NON-LIFE**

| **Years** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-life | 13% | 35% | 17% | 10% | 5% | 4% | 3% | 2% | 1% | 1% |

**NET INCURRED LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - PROPERTY**

| | For the year ended December 31, | | | | | | | | | | December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **Total of IBNR plus expected development on reported claims** |
| **2012** | $ 363,190 | $ 314,193 | $ 244,487 | $ 235,146 | $ 228,431 | $ 228,145 | $ 225,100 | $ 222,614 | $ 222,703 | $ 219,632 | $ 646 |
| **2013** | — | 369,451 | 319,009 | 300,797 | 292,192 | 287,479 | 282,264 | 281,363 | 280,766 | 279,658 | 133 |
| **2014** | — | — | 230,723 | 228,418 | 216,678 | 215,840 | 213,271 | 212,800 | 211,795 | 211,877 | -370 |
| **2015** | — | — | — | 270,615 | 271,896 | 260,425 | 253,172 | 252,040 | 249,926 | 252,465 | 1,297 |
| **2016** | — | — | — | — | 320,806 | 318,312 | 294,462 | 283,273 | 280,680 | 281,387 | 4,542 |
| **2017** | — | — | — | — | — | 698,361 | 717,054 | 662,279 | 639,642 | 635,166 | 10,768 |
| **2018** | — | — | — | — | — | — | 542,406 | 536,158 | 534,282 | 514,433 | 13,894 |
| **2019** | — | — | — | — | — | — | — | 427,011 | 460,318 | 403,969 | 19,071 |
| **2020** | — | — | — | — | — | — | — | — | 551,560 | 596,915 | 165,177 |
| **2021** | — | — | — | — | — | — | — | — | — | 524,789 | 322,022 |
| **Total** | | | | | | | | | | **$ 3,920,291** | **537,180** |

**NET PAID LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - PROPERTY**

| | For the year ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Accident year** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **2012** | $ 46,790 | $ 158,833 | $ 199,155 | $ 216,243 | $ 222,391 | $ 226,685 | $ 229,010 | $ 233,123 | $ 233,383 | $ 234,556 |
| **2013** | — | 45,019 | 181,999 | 238,761 | 257,903 | 267,673 | 269,588 | 272,494 | 273,529 | 273,680 |
| **2014** | — | — | 42,067 | 152,171 | 186,913 | 201,199 | 206,301 | 209,181 | 211,235 | 212,013 |
| **2015** | — | — | — | 44,967 | 161,314 | 207,980 | 222,863 | 228,171 | 230,913 | 234,772 |
| **2016** | — | — | — | — | 61,906 | 208,503 | 247,895 | 266,065 | 273,511 | 277,599 |
| **2017** | — | — | — | — | — | 166,979 | 505,651 | 565,344 | 594,904 | 598,738 |
| **2018** | — | — | — | — | — | — | 34,945 | 343,019 | 429,144 | 454,589 |
| **2019** | — | — | — | — | — | — | — | 29,012 | 249,726 | 314,670 |
| **2020** | — | — | — | — | — | — | — | — | 50,765 | 259,619 |
| **2021** | — | — | — | — | — | — | — | — | — | 42,214 |
| **Total** | | | | | | | | | | **$ 2,902,450** |

| | |
|---|---|
| Net reserves for Accident Years and exposures included in the triangles | 1,017,841 |
| All outstanding liabilities before Accident Year 2012, net of reinsurance | 47,606 |
| Total outstanding net liabilities for unpaid claims | **$ 1,065,447** |

**AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED CLAIMS BY AGE, NET OF REINSURANCE - PROPERTY**

| **Years** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Property | 14% | 50% | 15% | 6% | 2% | 1% | 1% | 1% | —% | 1% |

### NET INCURRED LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - CASUALTY

| | For the year ended December 31, | | | | | | | | | | December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total of IBNR plus expected development on reported claims |
| 2012 | $ 241,025 | $ 287,733 | $ 261,545 | $ 243,454 | $ 238,445 | $ 236,367 | $ 234,434 | $ 227,999 | $ 224,910 | $ 221,871 | $ — |
| 2013 | — | 272,506 | 320,569 | 295,963 | 287,874 | 283,240 | 279,774 | 277,819 | 270,391 | 268,053 | 12,855 |
| 2014 | — | — | 308,251 | 352,379 | 342,577 | 343,241 | 348,227 | 346,327 | 340,200 | 337,424 | 23,833 |
| 2015 | — | — | — | 277,881 | 332,361 | 326,815 | 337,810 | 334,358 | 331,836 | 325,855 | 31,886 |
| 2016 | — | — | — | — | 260,841 | 315,045 | 316,576 | 318,612 | 320,662 | 331,194 | 45,293 |
| 2017 | — | — | — | — | — | 285,791 | 362,944 | 369,618 | 370,809 | 376,200 | 53,648 |
| 2018 | — | — | — | — | — | — | 323,767 | 399,873 | 407,205 | 410,155 | 66,788 |
| 2019 | — | — | — | — | — | — | — | 239,824 | 293,947 | 302,714 | 128,930 |
| 2020 | — | — | — | — | — | — | — | — | 237,751 | 237,647 | 229,532 |
| 2021 | — | — | — | — | — | — | — | — | — | 180,491 | 330,654 |
| **Total** | | | | | | | | | | **$ 2,991,604** | **923,419** |

### NET PAID LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - CASUALTY

| | For the year ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| 2012 | $ 24,232 | $ 57,080 | $ 78,691 | $ 100,285 | $ 114,826 | $ 130,577 | $ 139,694 | $ 146,460 | $ 151,062 | $ 156,113 |
| 2013 | — | 25,384 | 68,163 | 103,074 | 127,887 | 150,426 | 170,998 | 184,825 | 193,133 | 201,508 |
| 2014 | — | — | 32,352 | 86,350 | 125,487 | 159,396 | 190,580 | 215,616 | 242,126 | 257,253 |
| 2015 | — | — | — | 35,415 | 82,381 | 126,902 | 159,858 | 196,222 | 223,489 | 243,323 |
| 2016 | — | — | — | — | 9,031 | 58,388 | 101,177 | 152,781 | 186,579 | 212,878 |
| 2017 | — | — | — | — | — | 31,057 | 82,473 | 123,747 | 164,483 | 197,001 |
| 2018 | — | — | — | — | — | — | 35,073 | 104,050 | 155,310 | 194,539 |
| 2019 | — | — | — | — | — | — | — | 37,383 | 95,622 | 134,148 |
| 2020 | — | — | — | — | — | — | — | — | 34,821 | 74,844 |
| 2021 | — | — | — | — | — | — | — | — | — | 18,248 |
| **Total** | | | | | | | | | | **$ 1,689,855** |

| | |
|---|---|
| Net reserves for Accident Years and exposures included in the triangles | 1,301,749 |
| All outstanding liabilities before Accident Year 2012, net of reinsurance | 324,505 |
| Total outstanding net liabilities for unpaid claims | **$ 1,626,254** |

### AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED CLAIMS BY AGE, NET OF REINSURANCE - CASUALTY

| **Years** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Casualty | 9% | 16% | 12% | 11% | 9% | 8% | 6% | 4% | 3% | 2% |

NET INCURRED LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - SPECIALTY

| | For the year ended December 31, | | | | | | | | | | December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total of IBNR plus expected development on reported claims |
| 2012 | $ 413,965 | $ 501,160 | $ 473,518 | $ 450,009 | $ 548,939 | $ 515,993 | $ 463,547 | $ 458,652 | $ 455,277 | $ 454,348 | $ 4,249 |
| 2013 | — | 477,866 | 536,200 | 495,811 | 397,738 | 441,262 | 475,400 | 477,391 | 474,313 | 468,987 | 1,678 |
| 2014 | — | — | 550,254 | 589,444 | 556,412 | 552,374 | 551,001 | 550,111 | 546,603 | 546,224 | 10,496 |
| 2015 | — | — | — | 529,393 | 561,058 | 551,117 | 547,177 | 554,344 | 543,884 | 542,366 | 7,381 |
| 2016 | — | — | — | — | 512,022 | 543,871 | 539,575 | 547,929 | 545,972 | 545,391 | 17,527 |
| 2017 | — | — | — | — | — | 552,179 | 647,819 | 660,628 | 662,104 | 670,528 | 34,633 |
| 2018 | — | — | — | — | — | — | 485,737 | 693,762 | 723,373 | 739,971 | 62,897 |
| 2019 | — | — | — | — | — | — | — | 535,316 | 740,594 | 762,600 | 116,064 |
| 2020 | — | — | — | — | — | — | — | — | 838,935 | 728,434 | 263,268 |
| 2021 | — | — | — | — | — | — | — | — | — | 637,575 | 359,832 |
| **Total** | | | | | | | | | | **$ 6,096,424** | **878,025** |

NET PAID LOSSES AND LOSS EXPENSES DEVELOPMENT TABLE - SPECIALTY

| | For the year ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Accident year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| 2012 | $ 64,003 | $ 205,351 | $ 289,249 | $ 314,902 | $ 331,197 | $ 356,458 | $ 363,753 | $ 373,995 | $ 376,558 | $ 375,876 |
| 2013 | — | 65,698 | 304,957 | 372,911 | 417,816 | 440,828 | 456,093 | 466,293 | 471,587 | 472,115 |
| 2014 | — | — | 87,995 | 356,905 | 425,062 | 473,425 | 494,064 | 508,067 | 514,828 | 519,130 |
| 2015 | — | — | — | 75,799 | 292,490 | 390,626 | 453,740 | 477,202 | 492,141 | 501,090 |
| 2016 | — | — | — | — | 81,056 | 314,662 | 408,133 | 474,369 | 491,918 | 500,460 |
| 2017 | — | — | — | — | — | 68,319 | 310,272 | 434,128 | 537,797 | 559,381 |
| 2018 | — | — | — | — | — | — | 77,263 | 272,457 | 466,160 | 591,104 |
| 2019 | — | — | — | — | — | — | — | 145,813 | 352,347 | 555,464 |
| 2020 | — | — | — | — | — | — | — | — | 98,531 | 293,543 |
| 2021 | — | — | — | — | — | — | — | — | — | 62,615 |
| **Total** | | | | | | | | | | **$ 4,430,778** |

| | |
|---|---|
| Net reserves for Accident Years and exposures included in the triangles | 1,665,646 |
| All outstanding liabilities before Accident Year 2012, net of reinsurance | 138,507 |
| Total outstanding net liabilities for unpaid claims | **$ 1,804,153** |

AVERAGE ANNUAL PERCENTAGE PAYOUT OF INCURRED CLAIMS BY AGE, NET OF REINSURANCE - SPECIALTY

| Years | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| Specialty | 14% | 36% | 20% | 12% | 4% | 3% | 2% | 1% | —% | —% |

The Company is predominantly a reinsurer of primary insurers and does not have access to claim frequency information held by our cedants due to the majority of the Company's business being written on a proportional basis. As such, the Company considers it impracticable to disclose information on the frequency of claims.

The reconciliation of the net incurred and paid claims development information above to the Non-life reserves in the Consolidated Balance Sheet at December 31, 2021 was as follows (in thousands of U.S. dollars):

| | December 31, 2021 |
|---|---|
| Total outstanding liability for unpaid claims | |
| Property | $ 1,065,447 |
| Casualty | 1,626,254 |
| Specialty | 1,804,153 |
| Total outstanding liabilities for unpaid claims | **$ 4,495,854** |
| Other liabilities [(1)] | $ 49,383 |
| Net liability at end of year | **$ 4,545,237** |
| | |
| Reinsurance recoverable on unpaid claims | |
| Property | $ 588,010 |
| Casualty | 89,286 |
| Specialty | 6,362 |
| Reinsurance recoverable at end of year | **$ 683,658** |
| Gross liability at end of year | **$ 5,228,895** |

*[(1)] Other liabilities included in the reconciliation relate primarily to unallocated loss expenses.*

## 8. Reinsurance

### *(a) Reinsurance Recoverable on Paid and Unpaid Losses*

The Company uses retrocessional agreements to reduce its exposure to risk of loss on reinsurance assumed. These agreements provide for recovery from retrocessionaires of a portion of losses and loss expenses. The Company remains liable to its cedants to the extent that the retrocessionaires do not meet their obligations under these agreements, and therefore the Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk on an ongoing basis. The Company actively manages its reinsurance exposures by generally selecting either collateralized retrocessionaires or counterparties that have a credit rating of A- or higher.

The Company established Lorenz Re Ltd. ("Lorenz Re"), a special purpose insurer registered as a segregated accounts company in Bermuda, as part of its third party capital platform to provide third party investors with access to portfolios of risk in the global reinsurance markets. Lorenz Re operates by providing fully collateralized reinsurance capacity to certain of the Company's operating subsidiaries in respect of multiple lines of business. Lorenz Re raises capital primarily from third party investors seeking exposure to the global reinsurance markets by issuing non-voting redeemable preferred shares in its individual segregated accounts. The proceeds from issuance of these preferred shares are deposited into trust accounts collateralizing varying portfolios of potential reinsurance recoverables, which have established investment guidelines that generally require assets to be held as either cash and cash equivalents or in U.S. government issued securities of high credit quality. For the years ended December 31, 2021 and 2020, the Company ceded premium written to Lorenz Re's segregated cells of $371.2 million and $69.9 million, respectively, and recorded a Reinsurance recoverable on paid and unpaid losses from the segregated cells of $436.2 million and $88.8 million as at December 31, 2021 and 2020, respectively.

The Company adopted updated accounting guidance on the recognition of credit losses effective January 1, 2020. In assessing an allowance for reinsurance recoverable balances, the Company considers historical information, financial strength and credit ratings of reinsurers, collateralization amounts and the remaining expected life of reinsurance recoverable balances to determine the appropriateness of the allowance. Historically, the Company has not experienced material credit losses from retrocessional agreements. In assessing future default for reinsurance recoverable balances, the Company evaluates the valuation allowance under the probability of default and loss given default method and utilizes counterparty credit ratings from major rating agencies, as well as assessing the current market conditions and reasonable and supportable forecasts for the likelihood of default. As a result of the adoption, the Company recorded an allowance for credit losses of $1.9 million and $1.9 million respectively on its reinsurance recoverable balance for the year ended December 31, 2021 and December 31, 2020.

***(b) Ceded Reinsurance***

Net premiums written, net premiums earned and losses and loss expenses are reported net of reinsurance in the Company's Consolidated Statements of Operations. Assumed, ceded and net amounts for the years ended December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| 2021 | Premiums Written | Premiums Earned | Losses and Loss Expenses |
|---|---|---|---|
| Assumed | **$ 3,653,774** | **$ 3,621,704** | **$ 2,694,991** |
| Ceded | **459,137** | **461,135** | **463,282** |
| Net | **$ 3,194,637** | **$ 3,160,569** | **$ 2,231,709** |

| 2020 | Premiums Written | Premiums Earned | Losses and Loss Expenses |
|---|---|---|---|
| Assumed | $ 2,939,658 | $ 3,078,813 | $ 2,572,652 |
| Ceded | 162,883 | 162,869 | 112,913 |
| Net | $ 2,776,775 | $ 2,915,944 | $ 2,459,739 |

## 9. Shareholder's Equity

At December 31, 2021 and 2020, the total authorized and issued shares of the Company were 3,000,000 shares with a par value of $1.00 per share.

## 10. Dividend Restrictions and Statutory Requirements

The Company is licensed as a Class 4 and Class E insurer and is therefore authorized to carry on general and long-term insurance business in Bermuda. The Insurance Act regulates insurance business in Bermuda and requires the Company to maintain minimum levels of solvency and liquidity and to comply with risk-based capital requirements and licensing rules, including its minimum solvency margin ("MSM"), defined as the prescribed minimum amount by which the value of the assets of the Company must exceed the value of its liabilities. As at December 31, 2021, the Company's solvency, liquidity and risk-based capital levels were in excess of the minimum levels required.

The Insurance Act also provides that the Company shall not in any financial year pay dividends which would exceed 25% of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless at least 7 days before payment of those dividends it files with the Bermuda Monetary Authority ("BMA") an affidavit signed by at least two directors, and by the Company's principal representative in Bermuda, which states that in the opinion of those signing, declaration of those dividends has not caused the insurer to fail to meet its relevant margins. Further, the Company must obtain the BMA's prior approval before reducing its total statutory capital as shown in its previous financial year statutory balance sheet by 15% or more. The Company may declare dividends subject to it continuing to meet these minimum levels of solvency, liquidity, and its risk-based capital requirement, which is to hold statutory capital and surplus equal to or exceeding the Target Capital Level (equivalent to 120% of the Enhanced Capital Requirement (ECR)). The ECR is calculated using the Bermuda Solvency Capital Requirement model which is a risk-based capital model. At December 31, 2021, the maximum dividend that the Company could pay out of retained earnings without prior regulatory approval was approximately $805 million.

The Company is required to file annual statements with the BMA on an accounting basis as prescribed by the BMA. The typical adjustments to insurance statutory basis amounts to convert to U.S. GAAP include recognition of goodwill, intangible assets and deferred income taxes, and presentation of ceded reinsurance balances gross of assumed balances. The statutory financial return and capital and solvency return of the Company as at, and for the year ended, December 31, 2021 are due to be submitted to the BMA by April 30, 2022. The statutory financial return and capital and solvency return are subject to the BMA review.

The required and actual statutory capital and surplus of the Company at December 31, 2021 and 2020 was as follows (in millions of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Required statutory capital and surplus [1] | **$ 2,846** | $ 2,359 |
| Actual statutory capital and surplus | **6,004** | 5,070 |

[1] The required statutory capital and surplus is calculated at the Target Capital Level equivalent to 120% of the ECR.

In addition to the required statutory capital and surplus requirements in the table above, the Company assesses its own solvency capital needs taking into account factors which may not be fully reflected in statutory requirements. The Company's solvency capital requirements determined under these self assessments may impact the level of dividends paid to its Parent.

## 11. Taxation

The Company is not subject to Bermuda income or capital gains tax under current Bermuda law. In the event that there is a change in current law such that taxes on income or capital gains are imposed, the Company would be exempt from such tax until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966.

The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The significant jurisdictions in which the Company's subsidiaries and branches are subject to tax are Canada and the United States.

Income tax returns are open for examination for the tax years 2017 – 2021 in Canada and 2019 – 2020 in the United States. As a global organization, the Company may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. While management believes that adequate provision has been made in the Consolidated Financial Statements for any potential assessments that may result from tax examinations for all open tax years, the completion of tax examinations for open years may result in changes to the amounts recognized in the Consolidated Financial Statements.

Income tax (expense) benefit for the years ended December 31, 2021 and 2020 was as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Current income tax (expense) benefit | **$ (4,173)** | $ 5,013 |
| Deferred income tax benefit (expense) | **958** | (4,915) |
| Total income tax (expense) benefit | **$ (3,215)** | $ 98 |

The reconciliation of the actual income tax rate for the years ended December 31, 2021 and 2020 to the amount computed by applying the effective tax rate of 0% under Bermuda law to net (loss) income before taxes was as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Net income (loss) | **$ 966,880** | $ (48,877) |
| less: Income tax (expense) benefit | **(3,215)** | 98 |
| Net income (loss) before taxes | **$ 970,095** | $ (48,975) |
| **Reconciliation of effective tax rate (% of income before taxes)** | | |
| Expected tax rate | **0.0 %** | 0.0 % |
| Foreign taxes at local expected tax rates | **1.6** | 0.9 |
| Ceding commission | **(1.9)** | 2.7 |
| Valuation allowance | **0.5** | (5.5) |
| Other | **0.1** | 2.1 |
| Actual tax rate | **0.3 %** | 0.2 % |

The net tax assets (liabilities) and their components at December 31, 2021 and 2020 were as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Net current tax assets | $ 566 | $ 2,457 |
| Net deferred tax liabilities | (6,101) | (7,048) |
| Net tax liabilities | $ (5,535) | $ (4,591) |

Deferred tax liabilities reflect the tax impact of temporary differences between the carrying amounts of assets (liabilities) for financial reporting and income tax purposes. Net deferred tax liabilities of $6.1 million and $7.0 million at December 31, 2021 and 2020, respectively, primarily relate to life and health reserves, deductible expenses, deferred acquisition cost, unrealized gains on investments, and deferred income; partially offset by tax loss carryforwards, tax credits, and valuation allowance.

The total amount of unrecognized tax benefits for the years ended December 31, 2021 and 2020 was $nil.

## 12. Retirement Benefit Arrangements

For employee retirement benefits, the Company maintains certain defined contribution plans. Contributions are made by the Company, and these contributions are supplemented by the local plan participants. Contributions are based on a percentage of the participant's base salary depending upon competitive local market practice and vesting provisions meeting legal compliance standards and market trends. The accumulated benefits generally vest immediately or over a two-year period. As required by law, certain retirement plans also provide for death and disability benefits and lump sum indemnities to employees upon retirement.

The Company incurred expenses for these defined contribution arrangements of $0.6 million and $0.8 million for the years ended December 31, 2021 and 2020, respectively, within Other Operating Expenses in the Consolidated Statements of Operations.

## 13. Commitments and Contingencies

### *(a) Concentration of Credit Risk*

*Fixed maturities*

The Company's investment portfolio is managed following prudent standards of diversification and a prudent investment philosophy. The Company is not exposed to any significant credit concentration risk on its investments, except for debt securities issued by the U.S. government and government sponsored enterprises and other highly rated non-U.S. sovereign governments' securities. At December 31, 2021, other than the U.S. governments and U.S. government sponsored enterprises, the Company's fixed maturity investment portfolio did not contain exposure to any non-U.S. sovereign government or any other issuer that accounted for more than 10% of the Company's shareholder's equity. At December 31, 2020, other than the U.S. governments and Canadian governments and U.S. government sponsored enterprises, the Company's fixed maturity investment portfolio did not contain exposure to any non-U.S. sovereign government or any other issuer that accounted for more than 10% of the Company's shareholder's equity. The Company keeps cash and cash equivalents in several banks and ensures that there are no significant concentrations of credit risk in any one bank.

*Equities*

In 2017, the Company invested $500 million in two Exor managed equity funds. At December 31, 2021 and 2020, the carrying value of these investments totaled $1,153.7 million and $1,039.3 million, respectively, included within Equities in the Consolidated Balance Sheets. See Note 15(d).

*Other Invested Assets*

At December 31, 2021 and 2020, the total carrying value of the Company's investment in Almacantar, accounted for under the equity method, was $560.7 million and $494.0 million, respectively, included within Other invested assets in the Consolidated Balance Sheets. See Note 4(f) and 15(d).

*Derivatives*

The Company's investment strategy allows for the use of derivative instruments, subject to strict limitations. Derivative instruments may be used to replicate investment positions and for the purpose of managing overall currency risk, market exposures and portfolio duration, for hedging certain investments, or for enhancing investment performance that would be allowed under the Company's investment policy if implemented in other ways. The Company is exposed to credit risk in the event of non-performance by the counterparties to the Company's derivative contracts. However, the Company diversifies the counterparties to its derivative contracts to reduce credit risk, and because the counterparties to these contracts are high credit quality international banks, the Company does not anticipate non-performance. These contracts are generally of short duration and settle on a net basis. The difference between the contract amounts and the related market value represents the Company's maximum credit exposure.

*Underwriting operations*

The Company is also exposed to credit risk in its underwriting operations, most notably in the credit/surety line. Loss experience in these lines of business is cyclical and is affected by the state of the general economic environment. The Company provides its clients in these lines of business with reinsurance protection against credit deterioration, defaults or other types of financial non-performance of or by the underlying credits that are the subject of the reinsurance provided and, accordingly, the Company is exposed to the credit risk of those credits. The Company mitigates the risks associated with these credit-sensitive lines of business through the use of risk management techniques such as risk diversification, careful monitoring of risk aggregations and accumulations and, at times, through the use of retrocessional reinsurance protection and the purchase of credit default, total return and interest rate swaps.

The Company has exposure to credit risk as it relates to its business written through brokers, if any of the Company's brokers is unable to fulfill their contractual obligations with respect to payments to the Company. In addition, in some jurisdictions, if the broker fails to make payments to the insured under the Company's policy, the Company might remain liable to the insured for the deficiency. The Company's exposure to such credit risk is somewhat mitigated in certain jurisdictions by contractual terms.

The Company has exposure to credit risk related to reinsurance balances receivable, reinsurance recoverable on paid and unpaid losses, funds held by reinsured companies and deposit assets. The credit risk exposure related to these balances is mitigated by several factors, including but not limited to, credit checks performed as part of the underwriting process, monitoring of aged receivable balances and, in certain cases, the contractual right to offset amounts payable by the Company to the counterparty against amounts due to the Company from the counterparty. The majority of the reinsurance balances receivable and funds held balances are from related parties (see Note 15).

The Company adopted updated accounting guidance on the recognition of credit losses effective January 1, 2020. In assessing future default for reinsurance balances receivable, the Company evaluates the valuation allowance under the loss rate method and utilizes historic loss activity, adjusted for its assessment of current market conditions and reasonable and supportable forecasts on loss rates. As at December 31, 2021 and 2020, the Company's allowance for credit losses for its reinsurance balances receivable was $5.8 million and $5.6 million, respectively.

In assessing an allowance for funds held by reinsured companies and deposit assets, the Company considers historical information and the financial strength and credit ratings of counterparties to determine the appropriateness of the allowance. In assessing future default for these balances, the Company evaluates the valuation allowance under the probability of default and loss given default method and utilizes counterparty credit ratings from major rating agencies, as well as assessing the current market conditions and reasonable and supportable forecasts for the likelihood of default. As at December 31, 2021 and 2020, the Company recorded an allowance for credit losses of $0.1 million on its funds held by reinsurance companies and $1.0 million on its deposit assets. See Note 8 for discussion of credit risk related to reinsurance recoverable on paid and unpaid losses.

***(b) Other Agreements***

The Company has entered into strategic investments with unfunded capital commitments. In the next five years, the Company expects to fund capital commitments totaling $256.4 million, with $135.0 million, $38.1 million, $24.7 million, $12.0 million and $46.6 million to be paid during 2022, 2023, 2024, 2025 and 2026, respectively.

Effective December 31, 2013, the Company entered into an agreement with one of its affiliates, PartnerRe America Insurance Company, whereby the Company guarantees to PartnerRe America Insurance Company all present and future obligations of each third party reinsurer when such reinsurer is unable to meet any or all its obligations pursuant to the terms of the applicable reinsurance agreement. At December 31, 2021, there were no reinsurers in default.

On June 2, 2017, the Company entered into an agreement to guarantee and indemnify any and all of the obligations of PartnerRe Life Reinsurance Company of America and PartnerRe Canada under reinsurance agreements with third party cedants, in the event of non-payment or non-performance. There were no amounts due under this guarantee at December 31, 2021.

In exchange for a fee, the Company has committed to provide statutory reserve support to a third party by funding loans if certain events occur. At December 31, 2021, the Company does not believe that it will be required to provide any funding under this commitment, as the occurrence of the defined events is considered remote.

***(c) Legal Proceedings***

*Litigation*

The Company and its subsidiaries and branch, and the insurance and reinsurance industry in general, are subject to litigation and arbitration in the normal course of their business operations. In addition to claims litigation, the Company and its subsidiaries and branch may be subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on reinsurance treaties. While the outcome of business litigation cannot be predicted with certainty, the Company will dispute all allegations against the Company and/or its subsidiaries and branch that management believes are without merit.

At December 31, 2021, the Company was not a party to any litigation or arbitration that it believes could have a material effect on the financial condition, results of operations or liquidity of the Company.

In March 2019, a cedant (the “Cedant”) brought a motion for a declaratory judgment against the Company seeking a declaration that the Cedant had properly exercised its right, pursuant to an agreement between the parties, to recapture certain portfolios of life reinsurance contracts that the Cedant had retroceded to the Company. In February 2021, the Company reached a settlement with the Cedant.

## 14. Credit Agreements

In the normal course of its operations, the Parent enters into agreements with financial institutions to obtain unsecured and secured credit facilities. At December 31, 2021, the total amount of such credit facilities available to the Company related to a secured credit facility of $100 million that matures on December 21, 2022, and automatically extends for a further year unless canceled by either counterparty. The committed secured credit facility maintained by the Company is used for the issuance of letters of credit which must be fully secured with either cash or government bonds.

Under the terms of certain reinsurance agreements, irrevocable letters of credit were issued by the Company on a secured basis in the amount of $59 million at December 31, 2021, in respect of reported loss and unearned premium reserves.

## 15. Agreements with Related Parties

### *(a) Reinsurance Agreements*

In the normal course of its underwriting activities, the Company has entered into reinsurance agreements with companies affiliated with the Company.

As at December 31, 2021 and 2020, the Company had the following quota-share reinsurance agreements with subsidiaries of the Parent:

- a quota-share agreement to assume existing and new non-life and life and health risk transfer business from PartnerRe Europe, including certain of its branches. PartnerRe Europe is a limited liability company incorporated and domiciled in Ireland, and regulated by the Central Bank of Ireland.
    - Non-Life business increased from 50% for treaties incepting 2016 and prior to 65% for years 2017 onward, except for natural catastrophe business which is at a 90% quota-share.
    - Prior to amendments made to the quota-share agreement effective July 1, 2021, Life and Health business was reinsured at 50% for inception years 2016 and prior and 65% for years 2017 onward (excluding certain longevity business written after 2020 which is at a 90% cession and life business written in PartnerRe Europe's Hong Kong branch). Effective July 1, 2021, the quota-share on longevity business written by PartnerRe Europe's head office was increased to 90%. Additionally, effective July 1, 2021, the cession was increased by 10% for all Life and Health business written by PartnerRe Europe's French and Swiss branches, including business in-force at the effective date of the amendment, resulting in a 60% cession for inception years 2016 and prior and a 75% cession for years 2017 onward.
- quota-share agreements to assume certain non-risk transfer life business from PartnerRe Europe's Swiss branch ranging from 95% to 100%.
- a 50% quota-share agreement to assume existing and new business, except for agriculture business at a 85% quota-share, from PartnerRe Asia. During 2020, the quota-share on certain critical illness business was also increased to 85%. PartnerRe Asia is licensed by the Monetary Authority of Singapore (MAS) to operate as a non-life and life reinsurer in Singapore and is the principal reinsurance carrier for the Parent’s business underwritten in the Asia Pacific region.
- a 90% quota-share agreement to assume existing and new business from PartnerRe Canada. PartnerRe Canada is licensed to reinsure life, accident and sickness business under the Insurance Companies Act (Canada).

The Company also provides quota-share reinsurance to Partner Reinsurance Company of the U.S. (excluding its Canada Branch) for certain underwriting years prior to 2018. The agreements provided that the Company would accept a 45% participation for underwriting year 2017, 30% participation for underwriting years 2013 to 2016, and 25% participation for certain underwriting years prior to 2012.

In addition, the Company has stop loss agreements with PartnerRe Asia, Partner Reinsurance Company of the U.S. Canada Branch and PartnerRe Ireland Insurance dac.

The activity included in the Consolidated Statements of Operations related to subsidiaries of the Parent for the years ended December 31, 2021 and 2020 was as follows (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Gross premiums written | **$ 2,701,441** | $ 2,310,110 |
| Net premiums written | **2,701,441** | 2,310,110 |
| Net premiums earned | **2,615,357** | 2,409,890 |
| Net investment income on funds held | **8,283** | 14,931 |
| Losses and loss expenses | **1,793,890** | 1,963,171 |
| Acquisition costs | **580,196** | 564,189 |

Included in the Consolidated Balance Sheets at December 31, 2021 and 2020 were the following balances related to subsidiaries of the Parent (in thousands of U.S. dollars):

| | 2021 | 2020 |
|---|---|---|
| Reinsurance balances receivable | **$ 1,158,492** | $ 1,051,119 |
| Funds held by reinsured companies | **929,835** | 920,514 |
| Deferred acquisition costs | **418,136** | 376,987 |
| Non-life reserves | **3,621,492** | 3,687,317 |
| Life and health reserves | **1,380,715** | 1,345,671 |
| Unearned premiums | **860,485** | 799,617 |
| Other reinsurance balances payable | **133,727** | 143,924 |

In addition, accounts payable, accrued expenses and other at December 31, 2021 and 2020 also included a deferred gain of nil and $70.1 million, respectively, related to an Assumption Reinsurance Agreement with the Canadian Life branch of PartnerRe Europe entered into in 2014. This deferred gain was fully recognized in income during 2021 within Losses and loss expenses in the Consolidated Statement of Operations, upon a recapture of the related business.

Refer to Note 8 for details regarding the Company's business ceded to Lorenz Re.

***(b) Amounts due to/from Related Parties and Loan Agreements***

On November 19, 2020, the Company entered into an agreement with its Parent to sell the shares of its 100% interest in PCIC in exchange for a 10-year promissory note bearing interest at an annual rate of 4.4%. The carrying value of the investment at the time of sale, which approximated market value, was $458.5 million. At the time of sale, the carrying value of PCIC primarily consisted of investments in fixed maturities, cash and cash equivalents, other invested assets, and equities in the amounts of $327.6 million, $59.4 million, $52.0 million, and $26.3 million, respectively. The transaction was recognized as a sale of ownership interest between entities under common control at carrying amounts with no gain or loss recognized. At December 31, 2021 and 2020, the carrying value of the note receivable was $458.5 million with interest income of $20.2 million and $2.3 million, and accrued interest of $1.7 million and $2.3 million, respectively.

The Company had other advances to affiliates totaling $698.9 million and $780.8 million at December 31, 2021 and 2020, respectively, which were primarily related to amounts advanced to or paid on behalf of its Parent.

The Company had other liabilities to affiliates totaling $7.0 million and $95.7 million, respectively, at December 31, 2021 and 2020. These represent expenses incurred in the normal course of operations.

***(c) Service Agreements***

In the normal course of its operations, the Company entered into service agreements with other subsidiaries of the Parent. Revenues earned under the service agreements for each of the years ended December 31, 2021 and 2020 were $0.4 million. Expenses incurred under the service agreements for the years ended December 31, 2021 and 2020 were $9.9 million and $9.7 million, respectively.

***(d) Other***

In the normal course of its investment operations, the Company bought or held securities of companies affiliated with the Company, including the following:

- In 2021, the Company invested in two Exor managed funds. At December 31, 2021, the carrying value of these investments totaled $468 million. Net unrealized gains related to these funds of $115 million were recorded in the Consolidated Statements of Operations for the year ended December 31, 2021. These investments are recorded at fair value and included within Other invested assets in the Consolidated Balance Sheets.
- In 2018, the Company entered into an agreement with Exor to invest in a newly formed limited partnership, Exor Seeds L.P. At December 31, 2020, the carrying value of the Company's investment in the limited partnership was $51 million, and was accounted for using the equity method and was included within Other invested assets in the Consolidated Balance Sheet. During 2021, the Company sold its interest in Exor Seeds L.P. to Exor S.A. at a transaction price of $51 million.
- In 2017, the Company invested $500 million in two Exor managed equity funds. At December 31, 2021 and 2020, the carrying value of these investments totaled $1,154 million and $1,039 million, respectively. These investments are recorded at fair value and are included within Equities in the Consolidated Balance Sheets. Net realized and unrealized investment gains related to these funds of $115 million and $91 million were recorded in the Consolidated Statements of Operations for the years ended December 31, 2021 and 2020, respectively.
- In 2016, the Company purchased a 36% shareholding in Almacantar from Exor. Refer to Note 4(f) for a discussion of the Company's interest in Almacantar.

**16. Subsequent Events**

On February 15, 2022, the Company entered into an Assumption Reinsurance Agreement with PartnerRe Canada to transfer all the remaining insurance contract liabilities in the Company's Canadian Branch (the "Branch"). Under the agreement, all of the Branch’s policy liabilities were effectively transferred to PartnerRe Canada making it directly liable to the policyholder following the transaction. The retrocession agreement between the Branch and PRLCBL was also amended to reinsure the related business from PartnerRe Canada to the Company's Head Office at a 90% quota share, and PRLCBL was merged into the Company effective on the same date. Contemporaneously, the Company executed a Business Transfer Agreement with PartnerRe Canada that transferred all the remaining invested assets (other than the Branch's statutory capital) from the Branch to PartnerRe Canada. PartnerRe Canada issued preferred shares to the Company's Head Office as consideration for the invested assets. Invested assets of $117.8 million were transferred in exchange for preferred shares of $117.8 million. The Branch filed an initial application for the release of the Branch's assets in Canada and to terminate the Branch's insurance business in Canada with OSFI on March 11, 2022. Once the Superintendent of Financial Institutions approves the Branch's application and any other necessary approvals have been obtained, the Branch will cease operations.

The conflict between Russia and Ukraine subsequent to 2021 year end, may adversely affect our business and financial performance, including by impairing assets in our investment portfolio (which, as of December 31, 2021, include immaterial exposure to Russia-related investments and Ukrainian real estate) and increasing our reinsurance claims exposure.

On March 29, 2022, the Company's Board of Directors declared a cash dividend of $178.0 million. The dividend was paid to the Parent on March 31, 2022.

The Company has evaluated subsequent events from the balance sheet date through to April 28, 2022, which is the date the consolidated financial statements were available to be issued. Other than the items described above, there were no other material subsequent events arising during this period.