ENTERGY CORP /DE/
Form SC 13G
February 12, 2001

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

SCHEDULE 13G

Under the Securities Exchange Act of 1934*

Entergy Corporation

(Name of Issuer)

Common Stock

(Title of Class of Securities)

29364G103

(CUSIP Number)

December 31, 2000

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)

[_] Rule 13d-1(c)

[_] Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 29364G103 13G

#	Item	
1	NAMES OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Barrow, Hanley, Mewhinney & Strauss, Inc. 752403190	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)	(a) [_] (b) [_]
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION A Nevada corporation	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	#	
	5	SOLE VOTING POWER 5,025,158 shares
	6	SHARED VOTING POWER 18,620,200 shares
	7	SOLE DISPOSITIVE POWER 23,645,358 shares
	8	SHARED DISPOSITIVE POWER ----

#	Item	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 23,645,358 shares	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)	[_]
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 10.1%	
12	TYPE OF REPORTING PERSON (See Instructions) IA	

SCHEDULE 13G

Item 1(a) Name of Issuer:
Entergy Corporation

1(b) Address of Issuer's Principal Executive Offices:
639 Loyola Avenue
New Orleans, LA 70113

Item 2(a) Name of Person Filing:
Barrow, Hanley, Mewhinney & Strauss, Inc.

2(b) Address of Principal Business Office or, if none, Residence:
One McKinney Plaza
3232 McKinney Avenue, 15th Floor
Dallas, TX 75204-2429

2(c) Citizenship:
A Nevada corporation

2(d) Title of Class of Securities:
Common Stock

2(e) CUSIP Number:
29364G103

Item 3. If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b):
The reporting person is an Investment Adviser registered under Section 203 of the Investment Advisers Act of 1940.

Item 4. Ownership:

4(a) Amount beneficially owned:
23,645,358 shares

4(b) Percent of class:
10.1%

4(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote:
5,025,158 shares

(ii) Shared power to vote or to direct the vote:
18,620,200 shares

(iii) Sole power to dispose or to direct the disposition of:
23,645,358 shares

(iv) Shared power to dispose or to direct the disposition of:

Item 5. Ownership of Five Percent or Less of a Class:
Not Applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person:

The right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the common stock is held by certain clients of the reporting person, none of which has such right or power with respect to five percent or more of the common stock.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company:
Not Applicable.

Item 8. Identification and Classification of Members of the Group:
Not Applicable.

Item 9. Notice of Dissolution of Group:
Not Applicable.

Item 10. Certification:

By signing below the undersigned certifies that, to the best of its knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

BARROW, HANLEY, MEWHINNEY & STRAUSSE, INC.

By: /s/ James P. Barrow

Name: James P. Barrow
Title: President

February 12, 2001
--

ities, available for sale, at fair value (amortized cost: 2004, $6,611,683; 2003, $5,241,494) **$6,723,580** $5,343,651

Short-term investments, available for sale, at fair value (amortized cost: 2004, $28,691; 2003, $46,271)

28,694 46,307

Equities, available for sale, at fair value (cost: 2004, $887,006; 2003, $614,697)

1,010,777 713,950

Trading securities, at fair value (cost: 2004, $102,371; 2003, $113,385)

108,402 122,544

Cash and cash equivalents, at fair value, which approximates amortized cost

436,003 558,692

Other invested assets

90,268 11,776

Total investments and cash

8,397,724 6,796,920

Accrued investment income

151,871 132,291

Reinsurance balances receivable

1,356,771 1,214,269

Reinsurance recoverable on paid and unpaid losses

180,710 188,706

Funds held by reinsured companies

1,100,107 1,068,432

Deferred acquisition costs

409,332 354,854

Deposit assets

299,408 508,037

Tax assets

81,235 80,835

Goodwill

429,519 429,519

Other

104,564 129,337

Total assets	**$12,511,241**	$10,903,200
Liabilities		
Unpaid losses and loss expenses	**$5,766,629**	$4,755,059
Policy benefits for life and annuity contracts	**1,277,101**	1,162,016
Unearned premiums	**1,194,778**	1,035,450
Funds held under reinsurance treaties	**21,875**	27,399
Deposit liabilities	**344,202**	570,634
Long-term debt	**220,000**	220,000
Accounts payable, accrued expenses and other	**128,606**	132,064
Debt related to trust preferred securities	**206,186**	206,186
Mandatorily redeemable preferred securities		

200,000

Total liabilities

9,159,377 8,308,808

Shareholders Equity

Common shares (par value $1.00, issued and outstanding: 2004, 54,854,398; 2003, 53,741,553)

54,854 53,742

Series C cumulative preferred shares (par value $1.00, issued and outstanding: 2004 and 2003, 11,600,000; aggregate liquidation preference: 2004 and 2003, $290,000,000)

11,600 11,600

Series D cumulative preferred shares (par value $1.00, issued and outstanding: 2004, 9,200,000; 2003, nil; aggregate liquidation preference: 2004, $230,000,000; 2003, nil)

9,200

Additional paid-in capital

1,288,292 1,023,167

Deferred compensation

(199) (125)

Accumulated other comprehensive income:

Net unrealized gains on investments (net of tax: 2004, $40,429; 2003, $34,928)

194,575 166,492

Currency translation adjustment

72,510 16,657

Retained earnings	**1,721,032**	1,322,859
Total shareholders equity	**3,351,864**	2,594,392
Total liabilities and shareholders equity	**$12,511,241**	$10,903,200

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

PartnerRe Ltd.

Consolidated Statements of Operations and Comprehensive Income

(Expressed in thousands of U.S. dollars, except share and per share data)

	For the year ended December 31, 2004	For the year ended December 31, 2003	For the year ended December 31, 2002
Revenues			
Gross premiums written	**$ 3,887,516**	$ 3,624,518	$ 2,705,672
Net premiums written	**$ 3,852,672**	$ 3,589,641	$ 2,655,374
Increase in unearned premiums	**(118,932)**	(86,199)	(229,638)
Net premiums earned	**3,733,740**	3,503,442	2,425,736
Net investment income	**297,997**	261,697	245,189
Net realized investment gains (losses)	**117,339**	86,656	(6,758)
Other income	**23,623**	21,101	5,727
Total revenues	**4,172,699**	3,872,896	2,669,894
Expenses			
Losses and loss expenses and life policy benefits	**2,475,743**	2,365,742	1,715,762
Acquisition costs	**901,554**	773,230	556,085
Other operating expenses	**271,331**	235,739	161,706
Interest expense	**40,744**	18,570	12,960
Net foreign exchange (gains) losses	**(16,586)**	(11,824)	3,158
Total expenses	**3,672,786**	3,381,457	2,449,671
Income before distributions related to trust preferred and mandatorily redeemable preferred securities and taxes	**499,913**	491,439	220,223
Distributions related to trust preferred and mandatorily redeemable preferred securities		21,650	27,260
Income tax expense	**7,560**	2,110	2,661
Net Income	**492,353**	467,679	190,302
Preferred dividends	**21,485**	29,390	20,000
Net Income Available to Common Shareholders	**$ 470,868**	$ 438,289	$ 170,302
Comprehensive Income, Net of Tax			
Net income	**$ 492,353**	$ 467,679	$ 190,302
Change in net unrealized gains on investments	**28,083**	46,887	95,582
Change in currency translation adjustment	**55,853**	47,477	27,223
Comprehensive Income	**$ 576,289**	$ 562,043	$ 313,107

Per Share Data			
Net income per common share:			
Basic net income	**$ 8.80**	$ 8.23	$ 3.37
Diluted net income	**$ 8.71**	$ 8.13	$ 3.28
Weighted average number of common shares outstanding	**53,490.8**	53,238.6	50,551.0
Weighted average number of common and common share equivalents outstanding	**54,047.4**	53,895.9	51,907.7

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

PartnerRe Ltd.

Consolidated Statements of Shareholders Equity

(Expressed in thousands of U.S. dollars)

	For the year ended December 31, 2004	For the year ended December 31, 2003	For the year ended December 31, 2002
Common Shares			
Balance at beginning of year	**$ 53,742**	$ 52,376	$ 50,164
Repurchase of common shares	**(2,914)**		(6,000)
Issue of common shares	**4,026**	1,366	8,212
Balance at end of year	**54,854**	53,742	52,376
Preferred Shares			
Balance at beginning of year	**11,600**	10,000	10,000
Redemption of preferred shares		(10,000)	
Issue of preferred shares	**9,200**	11,600	
Balance at end of year	**20,800**	11,600	10,000
Additional Paid-In Capital			
Balance at beginning of year	**1,023,167**	977,714	885,678
Repurchase of common shares and warrants	**(170,440)**		(283,620)
Issue of common shares	**227,264**	13,131	380,520
Issue and adjustment of purchase contract for common shares	**(4,780)**	(4,780)	(4,864)
Redemption of preferred shares		(232,163)	
Issue of preferred shares	**213,081**	269,265	
Balance at end of year	**1,288,292**	1,023,167	977,714
Deferred Compensation			
Balance at beginning of year	**(125)**	(261)	(397)
Issue of restricted common shares	**(276)**		
Amortization of deferred compensation	**202**	136	136
Balance at end of year	**(199)**	(125)	(261)
Accumulated Other Comprehensive Income			
Balance at beginning of year	**183,149**	88,785	(34,020)
Unrealized gains on investments, net of reclassification adjustments	**28,083**	46,887	95,582
Currency translation adjustment	**55,853**	47,477	27,223
Balance at end of year	**267,085**	183,149	88,785
Retained Earnings			
Balance at beginning of year	**1,322,859**	948,568	836,684
Net income	**492,353**	467,679	190,302
Dividends on common shares	**(72,695)**	(63,998)	(58,418)
Dividends on preferred shares	**(21,485)**	(29,390)	(20,000)

Balance at end of year	**1,721,032**	1,322,859	948,568
Total shareholders equity	**$ 3,351,864**	$ 2,594,392	$ 2,077,182

See accompanying Notes to Consolidated Financial Statements.

77

Table of Contents

PartnerRe Ltd.

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

	For the year ended December 31, 2004	For the year ended December 31, 2003	For the year ended December 31, 2002
Cash Flows from Operating Activities			
Net income	**$ 492,353**	$ 467,679	$ 190,302
Adjustments to reconcile net income to net cash provided by operating activities:			
Accrual of net premium (discount) on investments	**40,188**	26,326	(2,843)
Net realized investment (gains) losses	**(117,339)**	(86,656)	6,758
Changes in:			
Unearned premiums	**118,932**	86,199	229,638
Reinsurance balances receivable	**(80,086)**	(105,730)	(286,275)
Unpaid losses and loss expenses including life policy benefits	**820,249**	1,009,319	500,869
Net tax assets	**(715)**	(1,052)	2,918
Other changes in assets and liabilities	**(5,709)**	(233,712)	43,337
Net sales (purchases) of trading securities	**14,237**	(1,203)	(2,094)
Other items, net	**(18,314)**	(11,091)	4,633
Net cash provided by operating activities	**1,263,796**	1,150,079	687,243
Cash Flows from Investing Activities			
Sales of fixed maturities	**6,296,146**	8,085,048	4,152,522
Redemptions of fixed maturities	**565,532**	803,646	297,286
Purchases of fixed maturities	**(8,016,220)**	(9,971,218)	(4,776,121)
Net sales (purchases) of short-term investments	**17,636**	(43,058)	37,380
Purchases of equities	**(866,290)**	(228,412)	(361,819)
Sales of equities	**661,571**	105,814	188,914
Other, net	**(27,915)**	(16,634)	11,469
Net cash used in investing activities	**(1,369,540)**	(1,264,814)	(450,369)
Cash Flows from Financing Activities			
Cash dividends paid to shareholders	**(92,270)**	(93,424)	(78,418)
Net (repurchase) issue of common shares	**(152,514)**	14,497	99,112
Issue of preferred shares	**222,281**	280,865	
Redemption of preferred shares		(242,163)	
Adjustment on purchase contract for common shares	**(4,780)**	(4,780)	(4,864)
Net cash (used in) provided by financing activities	**(27,283)**	(45,005)	15,830
Effect of foreign exchange rate changes on cash	**10,338**	7,792	6,322
(Decrease) increase in cash and cash equivalents	**(122,689)**	(151,948)	259,026
Cash and cash equivalents beginning of year	**558,692**	710,640	451,614
Cash and cash equivalents end of year	**$ 436,003**	$ 558,692	$ 710,640

Supplemental cash flow information			
Net taxes paid	**$ 7,810**	$ 1,038	$ 28
Interest paid	**$ 40,575**	$ 18,570	$ 12,960

See accompanying Notes to Consolidated Financial Statements.

78

Table of Contents

PartnerRe Ltd.

Notes to Consolidated Financial Statements

1. Organization

PartnerRe Ltd. (the Company) provides reinsurance on a worldwide basis through its wholly owned subsidiaries, Partner Reinsurance Company Ltd. (Partner Reinsurance Company), PartnerRe SA and Partner Reinsurance Company of the U.S. (PartnerRe U.S.). Risks reinsured include, but are not limited to property, casualty, motor, agriculture, aviation/space, catastrophe, credit/surety, engineering/energy, marine, special risk, other lines and life/annuity and health. The Company also offers alternative risk products that include weather and credit protection to industrial and service companies on a worldwide basis.

The Company was incorporated in August 1993 under the laws of Bermuda. The Company commenced operations in November 1993 upon completion of the sale of common shares and warrants pursuant to subscription agreements and an initial public offering. On July 10, 1997, the Company completed the acquisition of PartnerRe SA, and on December 23, 1998, the Company completed the acquisition of the reinsurance operations of Winterthur Group (Winterthur Re).

On August 4, 2000, the Company concluded the sale (the Transaction) of its indirect wholly owned subsidiary, PartnerRe Life Insurance Company of the U.S., and its subsidiaries Republic-Vanguard Life Insurance Company, Investors Insurance Corporation and Investors Marketing Group, Inc. (collectively PartnerRe Life U.S.), to SCOR Group. The Company purchased PartnerRe Life U.S. in December 1998 as part of the Winterthur Re acquisition. The total consideration for the Transaction was $155 million, including the repayment by SCOR Group of a $10 million surplus note held by the Company. The Company, through a series of retrocession agreements with SCOR Group, retained certain annuity treaties following the sale.

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 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 the best estimates and assumptions, actual results could differ from those estimates. The Company s principal estimates include:

Unpaid losses and loss expenses, including policy benefits for life and annuity contracts;

Gross and net premiums written and net premiums earned;

Recoverability of deferred acquisition costs;

Determination of other-than-temporary impairments of investments;

Recoverability of tax loss carry-forwards;

Valuation of goodwill; and

Valuation of certain derivative financial instruments.

Intercompany accounts and transactions have been eliminated and all entities meeting consolidation requirements have been included in the consolidation. Certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

(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. Differences between such estimates and actual amounts are recorded in the period in

which the actual amounts are determined. Net premiums written and earned are presented net of ceded premiums, which represent the cost of retrocession protection purchased by the Company. Premiums 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. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force. Premiums related to individual life and annuity business are recorded over the premium-paying period on the underlying policies. Premiums on annuity and universal life insurance policies for which there is no significant mortality or morbidity 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 and Life Policy Benefits

The Company s non-life operations are composed of its Non-life and ART segments. The liability for unpaid losses and loss expenses for non-life operations includes amounts determined from loss reports on individual treaties and amounts for losses incurred but not yet reported to the Company. 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 continually reviewed and the ultimate liability may be in excess of, or less than, the amounts provided. Any adjustments will be reflected in the periods in which they become known.

The liabilities for policy benefits for ordinary life and accident and health policies have been established based upon information reported by ceding companies supplemented by the Company s best actuarial estimates of mortality, morbidity, persistency and future investment income, with appropriate provision for adverse deviation. Future policy benefit reserves for annuity and universal life products are carried at their accumulated values. Reserves for policy claims and benefits include both mortality and morbidity claims in the process of settlement and claims that have been incurred but not yet reported. Interest rate assumptions used to estimate liabilities for policy benefits for life and annuity contracts ranged from 1.5% to 5.5%. Actual experience in a particular period may vary from assumed experience and, consequently, may affect the Company s operating results in future periods.

(c) Deferred Acquisition Costs

Acquisition costs, primarily brokerage fees, commissions and excise taxes, which vary directly with, and are primarily related to, the acquisition of reinsurance contracts, are capitalized and charged to expense as the related premium revenue is recognized. Anticipated losses and loss expenses, other costs and investment income related to these premiums are considered in determining the recoverability of deferred acquisition costs. Acquisition costs related to individual life and annuity business 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 morbidity risk are deferred and amortized over the lives of the policies as a percentage of the estimated gross profits expected to be realized on the policies.

(d) Funds Held by Reinsured Companies

The Company writes certain business on a funds held basis. In such an arrangement, the reinsured retains the premiums that would have otherwise been paid to the Company and the Company earns interest on these funds. With the exception of those arrangements discussed below, the Company generally earns investment income on the funds held balances based upon a predetermined rate, either fixed contractually at the inception of the contract or based upon a recognized index (e.g., LIBOR). Interest rates at December 31, 2004, ranged from 1.5% to 6.0%.

80

Table of Contents

In certain circumstances, the Company may receive an investment return based upon either the result of a pool of assets held by the reinsured, generally used to collateralize the funds held balance, or the investment return earned by the reinsured on its entire investment portfolio. This is most common in the Company s life reinsurance business. In these arrangements, gross investment returns are typically reflected in income with a corresponding increase or decrease (net of a spread) being recorded as life policy benefits on 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 life policies may have guaranteed minimum returns. In such cases, an embedded derivative exists under Statement of Financial Accounting Standards (SFAS) 133 Implementation Issue No. B36 Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments (Issue B36). The fair value of these derivatives is recorded by the Company as an increase or decrease to the funds held balance, which is substantially offset by an equivalent adjustment to deferred acquisition costs.

(e) Deposit Assets and Liabilities

In the normal course of its operations, the Company enters into certain contracts that do not meet the risk transfer provisions of SFAS No. 113 Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts (SFAS 113). These contracts are accounted for using the deposit accounting method in accordance with Statement of Position 98-7 Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Risk (SOP 98-7). For those contracts, the Company originally records deposit liabilities for an amount equivalent to the consideration received. The consideration to be retained by the Company, irrespective of the experience of the contracts, is earned over the expected settlement period of the contracts, with any unearned portion recorded as a component of deposit liabilities. Actuarial studies are used to estimate the final liabilities under these contracts and the appropriate accretion rates to increase or decrease the original liabilities over the term of the contracts. The change for the period is recorded in other income in the Consolidated Statements of Operations.

Under some of these contracts, cedants retain the assets on a funds held basis. In those cases, the Company records those assets as deposit assets and records the related income in other income in the Consolidated Statements of Operations.

(f) Investments

Fixed maturities, short-term and equity investments that are classified as available for sale are carried at fair value, based on quoted market prices, with the difference between cost or amortized cost and fair value, net of the effect of taxes, included as a separate component of accumulated other comprehensive income. Short-term investments comprise securities with a maturity greater than three months but less than one year from the date of purchase. Investment purchases and sales are recorded on the trade date.

Fixed maturities, short-term and equity investments which are bought and held principally for the purpose of selling in the near term are classified as trading securities and are carried at fair value, based on quoted market prices, with the change in fair value included in net realized investment gains and losses in the Consolidated Statements of Operations.

The Company utilizes various derivative instruments such as financial futures contracts, credit default swaps and designated foreign exchange forward contracts for the purpose of replicating investment positions and managing certain exposure and duration risks. These instruments are recognized as assets and liabilities in the accompanying Consolidated Balance Sheets and changes in fair value are included in net realized investment gains and losses in the Consolidated Statements of Operations. Margin balances required by counterparties, which are equal to a percentage of the total value of open futures contracts, are included in cash and cash equivalents.

Other invested assets consist primarily of an investment in a non-publicly traded company (Channel Re), non-publicly traded real estate funds, private placement equity investments, derivative financial instruments

81

Table of Contents

and other specialty asset classes. The investment in Channel Re is accounted for using the equity method. The Company s share of Channel Re s net income and other comprehensive income is reported in the Company s net income and accumulated other comprehensive income, respectively, on a one-quarter lag. The Company calculates its share of Channel Re s net income and other comprehensive income on the basis of the Company s ownership percentage of Channel Re s common shares currently outstanding. Other investments are recorded based on valuation techniques depending on the nature of the individual assets.

The valuation techniques used by the Company s investment managers are reviewed by the Company and are generally commensurate with standard valuation techniques for each asset class.

Investment income is recognized when earned and includes the accrual of discount or amortization of premium on fixed maturities and short-term investments. Realized gains and losses on the disposition of investments are determined based upon a first-in, first-out basis and are reflected in the Consolidated Statements of Operations.

The Company regularly evaluates the fair value of its investments to determine whether a decline in fair value below the amortized cost basis (original cost basis for equities) is other-than-temporary. If the decline in fair value is judged to be other-than-temporary, the amortized cost of the individual security is written-down to fair value and a new cost basis is established with the amount of the write-down included as a realized investment loss in the period in which the determination of other-than-temporary impairment is made. While the cost basis cannot be adjusted upward through net income if the value of the security subsequently increases, the cost basis may be written down again if further other-than-temporary impairments are determined.

(g) Cash and Cash Equivalents

Cash equivalents are carried at fair value and include debt securities that, at purchase, have a maturity of three months or less.

(h) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired of PartnerRe SA and Winterthur Re. SFAS No. 142 Goodwill and Other Intangible Assets (SFAS 142) requires that the Company perform an annual valuation of its goodwill asset to test it for impairment. The Company has established September 30 as the date for performing the Company s annual impairment test. If, as a result of the assessment, the Company determines that the value of its goodwill asset is impaired, goodwill will be written-down in the period in which the determination is made. Neither the Company s initial valuation nor its subsequent valuations has indicated any impairment of the Company s goodwill asset.

(i) Income Taxes

Certain subsidiaries and branches 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, in certain cases, to accumulated other comprehensive income 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 Financial Statements and those used in the various jurisdictional tax returns. When Management s assessment indicates that it is more likely than not that deferred income tax assets will not be realized, a valuation allowance is recorded against the deferred tax assets. The Company also establishes tax liabilities related to tax years that

are open to audit when such liabilities are probable and reasonably estimable.

(j) Translation of Foreign Currencies

The reporting currency of the Company is the U.S. dollar. The national currencies of the Company s subsidiaries are generally their functional currencies, except for the Bermuda subsidiaries or branches,

82

Table of Contents

whose functional currency is the U.S. dollar. In translating the financial statements of those subsidiaries 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 weighted average foreign exchange rates for the period. Related translation adjustments are reported on the Consolidated Balance Sheets as a separate component of accumulated other comprehensive income.

In recording foreign currency transactions, revenue and expense items are converted into the functional currency at the weighted average rates of exchange for the year. Assets and liabilities originating in currencies other than the functional currency are translated into the functional currency at the rates of exchange in effect at the balance sheet dates. The resulting foreign exchange gains or losses are included in the Consolidated Statements of Operations. The Company records realized and unrealized foreign exchange gains and losses that are covered by designated hedges in net realized investment gains and losses in the Consolidated Statements of Operations (see Note 2(k)).

(k) Derivatives Used in Hedging Activities

SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS 133), as amended on January 1, 2001, requires the recognition of all derivative financial instruments, including embedded derivative instruments, as either assets or liabilities in the Consolidated Balance Sheets and measurement of those instruments at fair value. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the Consolidated Financial Statements depends on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of the asset or liability hedged.

The Company utilizes derivative financial instruments as part of an overall currency risk management strategy. On the date the Company enters into a derivative contract, Management designates if the derivative is used as a hedge of an identified underlying exposure (a designated hedge). As part of its overall strategy to manage the level of currency exposure, the Company uses currency derivatives to hedge the fair value of certain available for sale fixed income securities related to the Company s liability funds (funds corresponding to the Company s net reinsurance liabilities). These derivatives have been designated as fair value hedges under SFAS 133, and accordingly, the changes in fair value of the derivative and the hedged item are recognized in net realized investment gains and losses in the Consolidated Statements of Operations. Derivatives employed by the Company to hedge currency exposure related to other reinsurance assets and liabilities are not designated as hedges under SFAS 133. The changes in fair value of the non-designated hedges and the other reinsurance assets and liabilities are recognized in net foreign exchange gains and losses on the December 31, 2004 and 2003 Consolidated Statements of Operations.

The Company s investment strategy allows for the use of derivative instruments, subject to strict limitations. Derivative instruments may be used to hedge a variety of market risks, or to replicate investment positions or market exposures that would be allowed under the Company s investment policy if implemented in other ways. These derivatives are recorded at fair value and changes in the fair value of the derivatives are reported in net realized investment gains and losses in the Consolidated Statements of Operations.

The Company formally documents all relationships between designated hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. In this documentation, the Company specifically identifies the asset, liability, firm commitment or forecasted transaction 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, in accordance with its risk management policy.

The Company will discontinue hedge accounting prospectively if it is determined that the derivative is no longer effective in offsetting changes in the fair value of a hedged item. To the extent that the Company in the future chooses to discontinue hedge accounting related to its fair value hedge of currency risk related to

83

Table of Contents

its available for sale fixed income securities (liability funds) because, based on Management s assessment, the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be carried on the Consolidated Balance Sheets at its fair value, with changes in its fair value recognized in current period net income, and changes in the fair value of the underlying available for sale fixed income securities due to currency movements will be recorded as a component of accumulated other comprehensive income.

(l) Weather Derivatives

As a part of the Company s ART (Alternative Risk Transfer) operations, the Company has entered into weather related transactions that are structured as insurance, reinsurance or derivatives. When those transactions are determined to be derivatives, they are recorded at fair value with the changes in fair value reported in other income in the Consolidated Statements of Operations. The Company uses internal valuation models to estimate the fair value of these derivatives.

(m) Total Return and Interest Rate Swaps

As a part of the Company s ART (Alternative Risk Transfer) operations, the Company has entered into total return and interest rate swaps. Income related to these swaps and any fair value adjustments on the swaps are included in other income in the Consolidated Statements of Operations. The Company records these swaps at fair value, based on quoted market prices. Where such valuations are not available, the Company uses internal valuation models to estimate fair value.

(n) Net Income per Common Share

Diluted net income per common share is defined as net income available to common shareholders divided by the weighted average number of common and common share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities, including common share warrants, Series B cumulative redeemable preferred shares (PEPS units), options and restricted share units. Basic net income per share is defined as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period, giving no effect to dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted net income per share.

(o) Share-Based Compensation

The Company currently uses four types of share-based compensation: stock options, restricted shares, restricted share units (RSU), and shares issued under the Company s employee stock purchase plan. The Company s adoption in 2003 of the fair value provisions of SFAS No. 123 Accounting for Stock-Based Compensation (SFAS 123), as amended by SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure (SFAS 148), resulted in the recognition of an expense corresponding to the fair value of the Company s stock options that were granted during 2003. The expense is recognized over the vesting period of the stock options. The Company has elected to use the prospective transition method as described in SFAS 123, which results in the expensing of options granted subsequent to January 1, 2003. Under the provisions of SFAS 123, options are valued at fair value on the date of grant using a Black-Scholes option-valuation model that considers, as of the date of grant, the exercise price and expected life of the option, the current price of the Company s common shares and its expected volatility, expected dividends on the common shares and the risk-free interest rate for the expected life of the option.

The adoption of the fair value provision of SFAS 123 resulted in a charge to net income of $3.3 million, or $0.06 per diluted share, for the year ended December 31, 2003. Prior to January 1, 2003, the Company accounted for share-based compensation under the intrinsic value provisions

of Accounting Principles Board No. 25 (APB 25). Accordingly, no compensation costs were recognized for grants of stock options under the Company s stock option plans.

84

Table of Contents

The following table illustrates the net effect on net income available to common shareholders and net income per share as if the fair value provisions of SFAS 123 had been applied retroactively to all outstanding equity-based compensation issued since January 1, 2002 (in thousands of U.S. dollars, except per share data):

	2004	2003	2002
Net income available to common shareholders:			
As reported	**$ 470,868**	$ 438,289	$ 170,302
Add: Stock-related compensation expense included in net income as reported	**7,079**	3,332	
Less: Total stock-related compensation expense determined under fair value method for all grants	**13,728**	11,582	9,735
Pro forma	**$ 464,219**	$ 430,039	$ 160,567
Net income per common share:			
Basic			
As reported	**$ 8.80**	$ 8.23	$ 3.37
Pro forma	**$ 8.68**	$ 8.08	$ 3.18
Diluted			
As reported	**$ 8.71**	$ 8.13	$ 3.28
Pro forma	**$ 8.59**	$ 7.98	$ 3.09

(p) New Accounting Pronouncements

B-36

In February 2003, the Derivatives Implementation Group of the Financial Accounting Standards Board (FASB) issued SFAS 133 Implementation Issue No. B36 Embedded Derivatives: Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments. This new guidance addresses the potential for embedded derivatives within funds held balances relating to certain reinsurance contracts (see Note 2(d)). The adoption of this new guidance by the Company on October 1, 2003 did not have a material impact on the results of operations or financial position of the Company. The valuation of such embedded derivatives was recorded in the funds held balance at December 31, 2004 and 2003, which was substantially offset by an equivalent adjustment to deferred acquisition costs.

SOP 03-01

In July 2003, the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 03-01, Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts (SOP 03-01). SOP 03-01 complements the guidance available in SFAS No. 60 Accounting and Reporting by Insurance Enterprises, and SFAS No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments for insurance products introduced since the issuance of these two SFAS. SOP 03-01 is effective for financial statements for fiscal years beginning after December 15, 2003. The Company has adopted SOP 03-01 as of January 1, 2004 and the adoption did not have a significant impact on the Company s Consolidated Financial Statements.

SFAS 150

In July 2003, the Company adopted SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (SFAS 150). The statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity,

Table of Contents

and requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). As a result of the adoption of SFAS 150, the Company has classified its mandatorily redeemable preferred securities as liabilities on its December 31, 2004 and 2003 Consolidated Balance Sheets. The Company also classified distributions related to the mandatorily redeemable preferred securities as interest expense in the Consolidated Statement of Operations for the year ended December 31, 2004 and for the last six months of 2003, and has left the first six months of 2003 as well as the full year of 2002 Consolidated Statement of Operations presentation unchanged. This new presentation has no impact on the Company s equity and net income for any periods presented.

FIN 46(R)

In December 2003, the Company began applying the guidance in FASB Interpretation No. 46 (Revised December 2003) Consolidation of Variable Interest Entities (FIN 46(R)). FIN 46(R) requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or is entitled to receive a majority of the entity s residual returns or both. A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Neither PartnerRe Capital Trust I (the Trust), which issued the Company s trust preferred securities, nor PartnerRe Finance meet the consolidation requirements of FIN 46(R). As a result, the Company has deconsolidated the Trust and PartnerRe Finance and is now reflecting the debt related to the trust preferred securities issued by the Company to PartnerRe Finance as a liability on the December 31, 2004 and 2003 Consolidated Balance Sheets. Starting January 1, 2004, the Company reported the interest on the debt related to the trust preferred securities as interest expense in the Consolidated Statement of Operations and has left the 2003 and 2002 Consolidated Statements of Operations presentation unchanged. This new presentation has no impact on the Company s equity and net income for any periods presented.

EITF 03-1

In March 2004, the Emerging Issues Task Force (EITF) reached consensus on the guidance provided in EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments (EITF 03-1) as applicable to debt and equity securities that are within the scope of SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities (SFAS 115) and equity securities that are accounted for using the cost method specified in Accounting Principles Board Opinion No. 18 The Equity Method of Accounting for Investments in Common Stock . Under this new guidance, an investment is considered impaired if the fair value of the investment is less than its cost including adjustments for amortization and foreign exchange. EITF 03-1 outlines that an impairment would be considered other-than-temporary unless (a) the investor has the ability and intent to hold an investment for a reasonable period of time sufficient for the recovery of the fair value up to or beyond the cost of the investment and (b) evidence indicating that the cost of the investment is recoverable within a reasonable period of time outweighs evidence to the contrary. The severity and duration of the impairment should also be considered in determining whether the impairment is other-than-temporary.

This new guidance for determining whether impairment is other-than-temporary was to be effective for reporting periods beginning after June 15, 2004. In September 2004, the FASB issued FASB Staff Position EITF Issue 03-1-1, which delayed the effective date for the measurement and recognition guidance included in EITF 03-1 related to other-than-temporary impairment until additional implementation guidance is provided. As a result of the delay, the Company continued to apply existing accounting literature for determining when a decline in fair value is other-than-temporary, including Staff Accounting Bulletin 59, Accounting for Non-current Marketable Equity Securities , SFAS 115, and FASB Staff Implementation Guide to SFAS 115.

The Company continues to evaluate the impact of this new accounting standard on its process for determining other-than-temporary impairment on equity and fixed maturity securities, including the

86

potential impacts from any revisions to the original guidance issued. Adoption of this standard may increase net income volatility in future periods. However, since fluctuations in the fair value of available for sale securities are already recorded in accumulated other comprehensive income, adoption of this standard is not expected to have a significant impact on the comprehensive income, cash flows or equity of the Company.

SFAS 123(R)

In December 2004, the FASB issued Statement No. 123(R) (Revised 2004) Share-Based Payment (SFAS 123(R)). This statement will require compensation costs related to share-based payment transactions to be recognized in the financial statements. The amount of compensation cost will be measured based on the grant-date fair value of the awards issued and will be recognized over the period that an employee provides services in exchange for the award or the requisite service period. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of the instruments. SFAS 123(R) will apply to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. SFAS 123(R) will be effective for the first interim or annual reporting period beginning after June 15, 2005. SFAS 123(R) may not be applied retroactively to prior years financial statements. The Company will adopt SFAS 123(R) as of July 1, 2005. The adoption of SFAS 123(R) is not expected to have a significant impact on the net income or equity of the Company.

3. Investments

(a) Fixed Maturities, Equities and Short-Term Investments Available for Sale

The cost, fair value, gross unrealized gains and gross unrealized losses on investments classified as available for sale at December 31, 2004 and 2003, were as follows (in thousands of U.S. dollars):

2004	**Cost (1)**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturities				
- U.S. government	**$ 515,976**	**$ 6,936**	**$ (1,188)**	**$ 521,724**
- states or political subdivisions of states of the U.S.	**5,532**	**160**	**(8)**	**5,684**
- other foreign governments	**1,862,970**	**42,216**	**(569)**	**1,904,617**
- corporate	**2,731,999**	**68,747**	**(8,381)**	**2,792,365**
- mortgage/asset-backed securities	**1,495,206**	**5,671**	**(1,687)**	**1,499,190**
Total fixed maturities	**6,611,683**	**123,730**	**(11,833)**	**6,723,580**
Short-term investments	**28,691**	**8**	**(5)**	**28,694**
Equities	**887,006**	**127,798**	**(4,027)**	**1,010,777**
Total	**$ 7,527,380**	**$ 251,536**	**$ (15,865)**	**$ 7,763,051**

2003	**Cost (1)**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturities				

- U.S. government	$ 327,855	$ 10,029	$ (65)	$ 337,819
- states or political subdivisions of states of the U.S.	94,892	3,300	(272)	97,920
- other foreign governments	1,142,928	15,126	(8,467)	1,149,587
- corporate	2,688,834	90,402	(9,333)	2,769,903
- mortgage/asset-backed securities	986,985	5,289	(3,852)	988,422
Total fixed maturities	5,241,494	124,146	(21,989)	5,343,651
Short-term investments	46,271	56	(20)	46,307
Equities	614,697	106,056	(6,803)	713,950
Total	$ 5,902,462	$ 230,258	$ (28,812)	$ 6,103,908

(1) Cost is amortized cost for fixed maturities and short-term investments and original cost for equity securities, net of other-than-temporary impairments.

Table of Contents

The following table presents the continuous periods during which the Company has held investment positions that were carried at an unrealized loss (excluding investments classified as trading securities) at December 31, 2004 (in millions of U.S. dollars):

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities						
- U.S. government	$ 229.6	$ (1.2)	$	$	$ 229.6	$ (1.2)
- states or political subdivisions of states of the U.S.	1.4				1.4	
- other foreign governments	261.0	(0.6)			261.0	(0.6)
- corporate	793.6	(6.1)	77.7	(2.3)	871.3	(8.4)
- mortgage/asset-backed securities	577.4	(1.7)			577.4	(1.7)
Total fixed maturities	1,863.0	(9.6)	77.7	(2.3)	1,940.7	(11.9)
Short-term investments	15.2				15.2	
Equities	53.6	(2.3)	54.6	(1.7)	108.2	(4.0)
Total	$ 1,931.8	$ (11.9)	$ 132.3	$ (4.0)	$ 2,064.1	$ (15.9)

The Company s investment security with the largest net unrealized loss at December 31, 2004, for which an other-than-temporary impairment charge has not been taken was a net unrealized loss of $0.3 million, representing 0.4% of the amortized cost of the security, which is rated AAA. This unrealized loss, as well as a majority of the Company s total unrealized losses on fixed maturity securities, are due to changes in interest rates. Typically, as interest rates rise, market values of fixed income portfolios fall, and vice versa. As of December 31, 2004 and 2003, the Company had no significant unrealized losses, for which an other-than-temporary impairment charge has not been taken, caused by other factors and circumstances, including an issuer s specific corporate risk or due to industry or geographic risk.

(b) Maturity Distribution of Available for Sale Securities

The distribution of available for sale fixed maturities and short-term investments at December 31, 2004 by contractual maturity is shown below (in thousands of U.S. dollars). Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
One year or less	**$ 438,592**	**$ 440,895**
More than one year through five years	**2,610,074**	**2,642,206**
More than five years through ten years	**1,833,569**	**1,882,294**
More than ten years	**262,933**	**287,689**
Subtotal	**5,145,168**	**5,253,084**
Mortgage/asset-backed securities	**1,495,206**	**1,499,190**
Total	**$ 6,640,374**	**$ 6,752,274**

88

Table of Contents

(c) Change in Net Unrealized Gains (Losses) on Investments

The analysis of the change in net unrealized gains (losses) on investments net of applicable taxes reflected in accumulated other comprehensive income for the years ended December 31, 2004, 2003 and 2002, is as follows (in thousands of U.S. dollars):

	2004	2003	2002
Fixed maturities	**$ 9,740**	$ (45,055)	$ 109,221
Short-term investments	**(33)**	22	(2)
Equity securities	**24,518**	119,983	(12,677)
Other investments	**(641)**	(55)	113
	33,584	74,895	96,655
Increase in tax liability	**(5,501)**	(28,008)	(1,073)
Net change reflected in accumulated other comprehensive income	**$ 28,083**	$ 46,887	$ 95,582

(d) Realized Gains (Losses) on Investments

Proceeds from the sale of investments classified as available for sale for the years ended December 31, 2004, 2003 and 2002, were $7,299.4 million, $9,028.0 million and $4,186.9 million, respectively. Realized investment gains and losses on securities classified as available for sale for the years ended December 31, 2004, 2003 and 2002, were as follows (in thousands of U.S. dollars):

	2004	2003	2002
Gross realized gains	**$ 153,670**	$ 132,196	$ 108,385
Gross realized losses excluding other-than-temporary impairments	**(52,858)**	(38,541)	(104,742)
Other-than-temporary impairments	**(10,528)**	(30,744)	(33,823)
Total net realized investment gains (losses) on available for sale securities	**$ 90,284**	$ 62,911	$ (30,180)

The components of the net realized investments gains and losses on securities classified as available for sale for the years ended December 31, 2004, 2003 and 2002 were as follows (in thousands of U.S. dollars):

Fixed maturities	**$ 25,441**	$ 81,810	$ 17,450
Equities	**64,821**	(18,320)	(47,478)
Short-term investments	**22**	(579)	(152)
Net realized investment gains (losses) on available for sale securities	**$ 90,284**	$ 62,911	$ (30,180)

The following table is a reconciliation of the net realized investments gains and losses on securities classified as available for sale to the net realized investments gains and losses in the Consolidated Statements of Operations (in thousands of U.S. dollars):

	2004	2003	2002
Net realized investment gains (losses) on available for sale securities	**$ 90,284**	$ 62,911	$ (30,180)
Net realized investment gains (losses) on trading securities	**8,254**	10,639	(9,817)
Change in net unrealized investment (losses) gains on trading securities	**(1,641)**	9,063	5,262
Net realized gains on real estate			15,490
Net realized investment (losses) gains on designated hedging activities	**(278)**	(8,173)	5,394
Net gains on other invested assets	**29,389**	13,082	3,718
Other realized and unrealized investment (losses) gains	**(8,669)**	(866)	3,375
Total net realized investment gains (losses)	**$ 117,339**	$ 86,656	$ (6,758)

Table of Contents

For the years ended December 31, 2004, 2003 and 2002, the Company recorded a net loss of $1.5 million, a net gain of $1.7 million and a net gain of $0.5 million, respectively, in the net realized investment gains and losses in the Consolidated Statements of Operations, representing the ineffectiveness of its designated fair value hedging activities.

(e) Net Investment Income

The components of net investment income for the years ended December 31, 2004, 2003 and 2002 were as follows (in thousands of U.S. dollars):

	2004	2003	2002
Fixed maturities, short-term investments, cash and cash equivalents	**$ 253,371**	$ 209,652	$ 209,747
Equities	**20,408**	17,023	13,614
Funds held and other	**40,940**	48,103	38,578
Investment expenses	**(16,722)**	(13,081)	(16,750)
Net investment income	**$ 297,997**	$ 261,697	$ 245,189

(f) Trading Securities

At December 31, 2004 and 2003, the net unrealized investment gains on trading securities were approximately $6.0 million and $9.2 million, respectively.

(g) Pledged Assets

At December 31, 2004 and 2003, cash and securities with a fair value of approximately $1,484.6 million and $1,434.8 million, respectively, were deposited, pledged or held in escrow accounts to support long-term debt or in favor of ceding companies and other counterparties or government authorities to comply with reinsurance contract provisions and insurance laws.

(h) Unsettled Trades

Unsettled trades at December 31, 2004 and 2003 have been netted in accounts payable, accrued expenses and other liabilities on the Consolidated Balance Sheets. The gross payable and receivable balances for unsettled trades at December 31, 2004 and 2003, were as follows (in thousands of U.S. dollars):

	2004	2003
Receivable for securities sold	**$ 57,452**	$ 42,169
Payable for securities purchased	**(59,032)**	(47,558)

Net payable for securities purchased	**$ (1,580)**	$ (5,389)

(i) Other invested assets

At December 31, 2004, other invested assets include the Company s investment in Channel Re, a non-publicly traded financial guarantee reinsurer based in Bermuda, which assumed a portfolio of in-force business from MBIA, and which participates in new MBIA reinsurance treaties and provides facultative reinsurance support to MBIA. The Company s investment represents 20% of the common stock of Channel Re. The Company s share of Channel Re s net income was $6.0 million for the year ended December 31, 2004, which represents results for the first nine months of 2004. The 2003 and 2002 periods include no investment in or income from Channel Re as the Company acquired its equity ownership in the first quarter of 2004.

90

Table of Contents

4. Unpaid Losses and Loss Expenses

The Company s unpaid losses and loss expenses for its non-life operations are composed of the reserves for its Non-life and ART segments. The table below is a reconciliation of the beginning and ending liability for unpaid losses and loss expenses, excluding policy benefits for life and annuity contracts, for the years ended December 31, 2004, 2003 and 2002 (in thousands of U.S. dollars):

	2004	2003	2002
Gross liability at beginning of year	**$ 4,755,059**	$ 3,658,416	$ 3,005,628
Reinsurance recoverable at beginning of year	**175,685**	217,777	214,891
Net liability at beginning of year	**4,579,374**	3,440,639	2,790,737
Net incurred losses related to:			
Current year	**2,318,716**	2,043,201	1,506,860
Prior years	**(139,036)**	55,463	56,118
	2,179,680	2,098,664	1,562,978
Net paid losses related to:			
Current year	**257,950**	165,900	201,669
Prior years	**1,120,756**	1,126,882	923,165
	1,378,706	1,292,782	1,124,834
Effects of foreign exchange rate changes	**233,263**	332,853	211,758
Net liability at end of year	**5,613,611**	4,579,374	3,440,639
Reinsurance recoverable at end of year	**153,018**	175,685	217,777
Gross liability at end of year	**$ 5,766,629**	$ 4,755,059	$ 3,658,416

For the years ended December 31, 2004, 2003 and 2002, the net change in prior year reserves was a net favorable loss development of $139.0 million, a net adverse loss development of $55.5 million and a net adverse loss development of $56.1 million, respectively.

The net favorable loss development of $139.0 million in 2004 relates primarily to a net adverse loss development in the U.S. Property and Casualty sub-segment of $30 million, which included adverse loss development for prior accident years in the motor and casualty lines of $53 million partially offset by favorable loss development in the property line of $23 million, a net adverse loss development of $24 million in the Global (Non-U.S.) Property and Casualty sub-segment which included adverse loss development in the motor and casualty lines of $106 million partially offset by favorable loss development in the property line of $82 million and a net favorable loss development of $193 million in the Worldwide Specialty sub-segment, which included favorable loss development of $203 million for prior accident years in all lines, except for the specialty casualty line which was affected by adverse loss development of $10 million.

The net adverse loss development of $55.5 million in 2003 relates primarily to a net adverse loss development in the U.S. Property and Casualty sub-segment of $88 million, which included adverse loss development for prior accident years of $72 million on the casualty line and $15 million on the motor line, a net favorable loss development of $11 million in the Global (Non-U.S.) Property and Casualty sub-segment which included adverse loss development for prior accident years of $23 million on the motor line offset by favorable loss development of $34 million on the property and casualty lines and a net favorable loss development of $22 million in the Worldwide Specialty sub-segment, which included favorable loss development for prior accident years of $61 million on the aviation, credit/surety, engineering/energy, catastrophe and other lines,

which was partially offset by adverse loss development of $39 million on the agriculture, marine and specialty casualty lines.

The net adverse loss development of $56.1 million in 2002 relates primarily to the Company s U.S. casualty business where modestly higher than expected losses were reported by cedants for prior years.

91

Table of Contents

The table below is a reconciliation of losses and loss expenses including life policy benefits for the years ended December 31, 2004, 2003 and 2002 (in thousands of U.S. dollars):

	2004	2003	2002
Net incurred losses related to:			
Non-life	**$ 2,179,680**	$ 2,098,664	$ 1,562,978
Life	**296,063**	267,078	152,784
Losses and loss expenses and life policy benefits	**$ 2,475,743**	$ 2,365,742	$ 1,715,762

Asbestos and Environmental Claims

The Company s reserve for unpaid losses and loss expenses at December 31, 2004 and 2003, included $92.4 million and $111.0 million, respectively, that represents estimates of its net ultimate liability for asbestos and environmental claims. The decrease in the net reserve for unpaid losses and loss expenses in 2004 is attributable to settlement of claims and commutations and was not the result of a change in the Company s view of its ultimate liability for this business. The gross liability for such claims at December 31, 2004 and 2003, was $104.6 million and $121.7 million, respectively, of which $94.7 million and $111.1 million, respectively, relate to U.S. casualty exposures arising from business written by PartnerRe SA and PartnerRe U.S. Ultimate values for such claims cannot be estimated using traditional reserving techniques and there are significant uncertainties in estimating the amount of the Company s potential losses for these claims. In view of the changes in the legal and tort environment that affect the development of such claims, the uncertainties inherent in valuing 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 loss and loss expense estimates.

5. Ceded Reinsurance

The Company uses retrocessional agreements to reduce its exposure to risk of loss on reinsurance assumed. These agreements provide for recovery of a portion of losses and loss expenses from retrocessionaires. The Company remains liable 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. Provisions are made for amounts considered potentially uncollectible. The allowance for uncollectible reinsurance recoverables was $14.5 million and $16.8 million at December 31, 2004 and 2003, respectively.

Net premiums written, net premiums earned and losses and loss expenses and life policy benefits for 2004, 2003 and 2002 are reported net of reinsurance in the Company s Consolidated Statements of Operations. Assumed, ceded and net amounts for the years ended December 31, 2004, 2003 and 2002, were as follows (in thousands of U.S. dollars):

	Premiums Written	Premiums Earned	Losses and Loss Expenses
2004			
Assumed	**$ 3,887,516**	**$ 3,767,531**	**$ 2,489,426**
Ceded	**34,844**	**33,791**	**13,683**
Net	**$ 3,852,672**	**$ 3,733,740**	**$ 2,475,743**
2003			
Assumed	$ 3,624,518	$ 3,541,659	$ 2,356,737
Ceded	34,877	38,217	(9,005)
Net	$ 3,589,641	$ 3,503,442	$ 2,365,742
2002			
Assumed	$ 2,705,672	$ 2,481,693	$ 1,741,443
Ceded	50,298	55,957	25,681
Net	$ 2,655,374	$ 2,425,736	$ 1,715,762

6. Long-Term Debt

In connection with the acquisition of the reinsurance operations of Winterthur Re in 1998, the Company s subsidiary, PartnerRe U.S. Corporation (PartnerRe U.S. Holdings) obtained a $220.0 million, 5.81% fixed rate bank loan. The loan, which is fully collateralized, is repayable in 2008, with interest payments due semiannually. PartnerRe U.S. Holdings incurred interest expense of $13.0 million in each year of 2004, 2003 and 2002 and paid interest of $13.1 million, $13.0 million and $13.0 million in 2004, 2003 and 2002, respectively, in relation to the loan.

7. Taxation

The Company and its Bermuda domiciled subsidiaries are 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 and its Bermuda domiciled subsidiaries would be exempt from such tax until March 2016 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 France, Switzerland and the United States.

While not currently under examination in any of the taxing jurisdictions in which it operates, income tax returns are open for examination for the 2001-2004 tax years in France and the United States and for 2003 and 2004 in Switzerland. 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. Management believes

that adequate provision has been made in the financial statements for any of these potential assessments that may result from tax examinations for all open tax years.

Table of Contents

Income tax expense for the years ended December 31, 2004, 2003 and 2002, and income tax assets at December 31, 2004, 2003 and 2002, were as follows (in thousands of U.S. dollars):

	2004	2003	2002
Current income tax (benefit) expense	**$ (1,034)**	$ 3,181	$ 2,752
Deferred income tax expense (benefit)	**8,594**	(1,071)	(91)
Income tax expense	**$ 7,560**	$ 2,110	$ 2,661
Net current tax (liability) asset	**$ (17,685)**	$ (20,449)	$ 8,954
Net deferred tax asset	**98,920**	101,284	91,048
Total tax asset	**$ 81,235**	$ 80,835	$ 100,002

The actual income tax rate for the years ended December 31, 2004, 2003 and 2002 differed from the amount computed by applying the effective rate of 0% under Bermuda law to income before income taxes as a result of the following (in thousands of U.S. dollars):

	2004	2003	2002
Income before taxes	**$ 499,913**	$ 469,789	$ 192,963
Expected tax rate	**0.0%**	0.0%	0.0%
Foreign taxes at local expected tax rates	**3.9**	(8.2)	(23.9)
Impact of foreign exchange gains/losses	**2.3**	9.3	11.9
Prior year refund/adjustments	**(5.5)**	4.2	
Valuation allowance	**3.3**	(5.0)	8.9
Other	**(2.5)**	0.2	4.5
Actual tax rate	**1.5%**	0.5%	1.4%

Deferred tax assets reflect the tax impact of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Significant components of the net deferred tax asset as of December 31, 2004 and 2003, were as follows (in thousands of U.S. dollars):

	2004	2003
Discounting of loss reserves and adjustment to life policy reserves	**$ 67,188**	$ 58,456
Tax loss carry-forwards	**122,961**	113,278
Unearned premiums	**21,771**	21,684
Other deferred tax assets	**6,927**	8,477
	218,847	201,895
Valuation allowance	**(16,347)**	
Deferred tax assets	**202,500**	201,895

Unrealized appreciation and timing differences on investments	**40,719**	23,908
Deferred acquisition costs	**26,774**	24,390
Goodwill	**11,563**	6,989
Tax equalization reserves	**14,104**	12,704
Other deferred tax liabilities	**10,420**	32,620
Deferred tax liabilities	**103,580**	100,611
Net deferred tax asset	**$ 98,920**	$ 101,284

As of December 31, 2004, the Company had $435.5 million of operating loss carry-forwards. Of this amount, $224.7 is attributable to Switzerland and expires if unused between 2007 and 2009 and $202.8 is attributable to France and does not expire due to an unlimited carry-forward period. The increase in valuation allowance in 2004 is primarily related to an increase in the available Swiss loss carry-forwards,

Table of Contents

which results from a Swiss tax ruling that allows the Company to use U.S. GAAP in determining its Swiss taxable income. As a result of the ruling, Swiss operating loss carry-forwards have increased and taxable income in future periods will decrease resulting in Management s determination that a portion of the Swiss operating loss carry-forward will not be realized.

The following table summarizes the changes in accumulated other comprehensive income and the related tax benefit for the years ended December 31, 2004, 2003 and 2002 (in thousands of U.S. dollars):

	Before Tax	Tax Effect	Net of Tax
2004			
Foreign currency translation adjustment	**$ 55,853**	**$**	**$ 55,853**
Unrealized gains (losses) on investments:			
Unrealized gains (losses) on investments arising during the period	**123,868**	**(44,723)**	**79,145**
Less reclassification adjustment for available for sale securities	**(90,284)**	**39,222**	**(51,062)**
	33,584	**(5,501)**	**28,083**
Change in accumulated other comprehensive income	**$ 89,437**	**$ (5,501)**	**$ 83,936**
2003			
Foreign currency translation adjustment	$ 47,477	$	$ 47,477
Unrealized gains (losses) on investments:			
Unrealized gains (losses) on investments arising during the period	137,806	(34,694)	103,112
Less reclassification adjustment for available for sale securities	(62,911)	6,686	(56,225)
	74,895	(28,008)	46,887
Change in accumulated other comprehensive income	$ 122,372	$ (28,008)	$ 94,364
2002			
Foreign currency translation adjustment	$ 27,223	$	$ 27,223
Unrealized gains (losses) on investments:			
Unrealized gains (losses) on investments arising during the period	66,475	(11,004)	55,471
Less reclassification adjustment for available for sale securities	30,180	9,931	40,111
	96,655	(1,073)	95,582
Change in accumulated other comprehensive income	$ 123,878	$ (1,073)	$ 122,805

8. Agreements with Related Parties

The Company was party to agreements with Swiss Reinsurance Company (Swiss Re, a former shareholder), Atis Real (a company in which a board member is a director), Barclays Bank PLC (a company in which a board member is a non-executive director) and their respective affiliates. Swiss Re was no longer an affiliate of the Company subsequent to May 2003.

Agreements with Swiss Reinsurance Company

In the normal course of their underwriting activities, the Company and certain subsidiaries entered into reinsurance contracts (assumed and ceded) with Swiss Re and certain Swiss Re subsidiaries. Included in the 2003 Consolidated Statement of Operations were net premiums written of $4.0 million, net loss recoveries, including life policy benefits of $1.4 million and net acquisition costs of $0.7 million. Included in the 2002 Consolidated Statement of Operations were net ceded premiums written of $1.0 million, net losses and loss expenses, including life policy benefits, of $2.5 million and net acquisition costs of $1.1 million.

The Company utilized, in the conduct of its business, certain underwriting services and licensed technology provided by Swiss Re pursuant to a service agreement. The agreement was terminated in February 2003, but

the Company continued to have access to certain computer technology through the end of 2003. Fees incurred pursuant to the agreement included fixed fees for access to technology and database resources. Fees incurred for each of the years ended December 31, 2003 and 2002, were $0.2 million per year.

The Company utilized the services of Swiss Re to manage portions of its investment portfolio pursuant to investment advisory agreements. Pursuant to these agreements, which were subject to the Company s investment guidelines and other restrictions, the Company paid a fee to Swiss Re. Investment fees expensed for the years ended December 31, 2003 and 2002, aggregated $0.1 million and $1.5 million, respectively, under these agreements.

Agreements with Barclays Bank PLC

In the normal course of its operations, the Company has entered into certain agreements with Barclays Bank PLC and its subsidiaries (Barclays) on market terms. As part of its ART (Alternative Risk Transfer) operations, the Company entered into weather related transactions with Barclays in 2004. All contracts had expired at December 31, 2004.

Barclays is also a lending financial institution on the Company s $700 million three year syndicated, unsecured credit facility (see Note 16). As part of its overall currency risk management, the Company utilized the services of Barclays when entering certain foreign exchange contracts.

At December 31, 2004, the Company held convertible bond securities issued by Barclays and invested in an index fund and a money market fund managed by Barclays. In addition, Barclays provided the Company with brokerage and cash management services.

Utilities and Rent

The Company leases office space from Atis Real. Pursuant to the lease agreement, rent expense for the years ended December 31, 2004, 2003 and 2002, aggregated $8.6 million, $5.5 million and $nil, respectively.

9. Retirement Benefit Arrangements

For employee retirement benefits, the Company actively maintains defined contribution plans, which are contributory or non-contributory depending upon competitive local market practices. In addition, the Company maintains frozen non-contributory defined benefit plans.

Contributions are based on the participant s base salary, and the accumulated benefit for the majority of the plans vests immediately or over a two-year period. Prior to the adoption of the defined contribution plans, the Company had a defined benefit plan covering substantially all of its employees. Effective June 30, 1999, benefit accruals under this plan were frozen, except for certain disabled participants. All employees previously enrolled in defined benefit retirement plans have been transferred to defined contribution plans. At December 31, 2004, the defined benefit plan was fully funded. 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 pension arrangements of $12.0 million, $9.2 million and $7.9 million for the years ended December 31, 2004, 2003 and 2002, respectively.

10. Stock and Stock Option Plans

Employee Incentive Plan

In 1996, the Company adopted an Employee Incentive Plan (the EIP) under which the Company may grant, subject to certain restrictions, stock options, restricted share (RS), restricted share units (RSU), performance units (PU), and performance shares (PS) to employees of the Company. The EIP is administered by the Human Resource Committee of the Board (the Committee).

96

Table of Contents

Pursuant to the terms of the EIP, awards may be granted to eligible employees at any time, in any amount, as determined by the Committee. The RS and RSU awards are subject to terms, conditions, restrictions and restricted periods fixed by the Committee that may be linked to prescribed performance goals. The PU and PS awards are subject to performance goals that shall be fixed by the Committee. At December 31, 2004, a total of 5 million common shares may be issued under the EIP.

The Company issued 10,000 restricted shares in 2000 with a weighted-average grant date fair value of $54.50 per share. These shares will vest no earlier than four years from the grant date. The Company issued 5,000 restricted shares in 2004 with a weighted-average grant date fair value of $55.13 per share. These shares vest in three equal installments over the three years following the grant date. The Company records the compensation expense related to these restricted shares over the vesting period using the straight-line method. Compensation expense for restricted share grants in the years ended December 31, 2004, 2003 and 2002, amounted to $0.2 million, $0.1 million and $0.1 million, respectively. Related deferred compensation expense at December 31, 2004 and 2003, was $0.2 million and $0.1 million, respectively.

During 2004, the Company issued RSU under the employee incentive plan with a fair value of $2.6 million and vesting periods ranging between three and five years. These RSU are expensed over the vesting period using the straight-line method.

Non-Employee Directors Stock Plan

In May 2003, the shareholders approved a new Non-Employee Directors Stock Plan (the Directors Stock Plan) as the 1993 Directors Stock Plan expired in 2003. Under the terms of the Directors Stock Plan, the Company may issue options, RS, RSU, alternative awards and other share-based awards. Under the Directors Stock Plan, all share-based awards will be issued at an exercise price per share equal to the fair market value per share at the time of grant. A total of 1 million common shares may be issued under the Directors Stock Plan.

During 2004 and 2003, the Company issued RSU under the Directors Stock Plan with a fair value of $1.1 million and $0.5 million. The RSU were vested on the grant date and were expensed in the year of issuance.

A summary of the status of the Company s outstanding stock options as of December 31, 2004, 2003 and 2002, and changes during the years ended on those dates, is presented below:

		2004		2003		2002
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	**3,171,251**	**$ 46.49**	2,988,258	$ 43.96	2,446,080	$ 40.29
Granted	**938,225**	**55.59**	693,513	50.06	742,752	53.26
Exercised	**(497,600)**	**36.96**	(445,454)	34.59	(180,236)	32.25
Forfeited	**(77,285)**	**52.47**	(65,066)	49.91	(20,338)	45.77
Outstanding at end of year	**3,534,591**	**50.11**	3,171,251	46.49	2,988,258	43.96
Options exercisable at end of year	**1,537,135**	**$ 46.67**	1,242,305	$ 44.18	1,127,693	$ 40.06

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2004, 2003 and 2002, respectively: risk-free interest rates of 3.7%, 3.7% and 5.0%, expected life of seven years, expected volatility of 25%, and a dividend yield of 2%. The weighted average grant-date fair value of options granted during 2004, 2003 and 2002 was $14.66, $13.21 and $15.95, respectively.

Table of Contents

The following table summarizes information about stock options outstanding at December 31, 2004:

		Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 25.44 $ 37.47	385,490	4.6 years	$ 36.04	353,210	$ 36.46
$ 39.63 $ 49.11	664,550	4.9	46.68	494,310	46.07
$ 49.12 $ 51.75	750,769	7.8	50.00	229,540	50.23
$ 51.83 $ 55.53	881,732	6.9	53.59	460,075	53.39
$ 55.63 $ 59.32	852,050	9.2	55.66		
$ 25.44 $ 59.32	3,534,591	7.0	$ 50.11	1,537,135	$ 46.67

Exercise prices for all options issued during 2004, 2003 and 2002 equaled the average market price of the stock on the grant date.

Employee Share Purchase Plan

The Employee Share Purchase Plan (the ESPP) was approved by the shareholders of the Company at the 2000 Annual General Meeting and amended on February 25, 2002. The ESPP is administered by the Committee and meets the requirements of Section 423 of the Internal Revenue Code of 1986 (United States), as amended (the Code). The ESPP has one offering period per year with two purchase periods of six months. All employees are eligible to participate in the ESPP and can contribute between 1% and 10% of their base salary toward the purchase of PartnerRe Ltd. shares up to the limit set by the Code. Employees who enroll in the ESPP may purchase PartnerRe Ltd. shares at a 15% discount of the fair market value. Participants in the ESPP are eligible to receive dividends on their PartnerRe Ltd. shares as of the purchase date. The number of common shares available for issue under the ESPP was reduced in 2002 from 500,000 to 300,000 on the establishment of the Swiss Share Purchase Plan.

Swiss Share Purchase Plan

In February 2002, the Board of Directors approved the establishment of the Swiss Share Purchase Plan (the SSPP). At that time, 200,000 common shares were relinquished from the ESPP and designated as available for issue under the SSPP. The SSPP is administered by the Committee. The SSPP has two offering periods per year with two purchase periods of six months. All full-time Swiss employees are eligible to participate in the SSPP and can contribute between 1% and 8% of their base salary toward the purchase of PartnerRe Ltd. shares up to a maximum of 5,000 Swiss francs per annum. Employees who enroll in the SSPP may purchase PartnerRe Ltd. shares at a 40% discount of the fair market value. Once purchased, there is a restriction on transfer or sale of these shares for a period of two years following purchase. Participants in the SSPP are eligible to receive dividends on their PartnerRe Ltd. shares as of the purchase date.

11. Dividend Restrictions and Statutory Requirements

The Company s ability to pay common and preferred shareholders dividends and its operating expenses is dependent on cash dividends from Partner Reinsurance Company, PartnerRe SA and PartnerRe U.S. (collectively the reinsurance subsidiaries). The payment of such dividends by the reinsurance subsidiaries to the Company is limited under Bermuda and French laws and certain statutes of New York State. The restrictions are generally based on net income and/or certain levels of policyholders earned surplus as determined in accordance with the relevant statutory accounting practices. As of December 31, 2004, there were no significant restrictions on the payment of dividends by the reinsurance subsidiaries, except for PartnerRe U.S. that has a statutory negative earned surplus and may not pay cash dividends without prior regulatory approval.

98

Table of Contents

The reinsurance subsidiaries are required to file annual statements with insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis), maintain minimum levels of solvency and liquidity and comply with risk-based capital requirements and licensing rules. As of December 31, 2004, the reinsurance subsidiaries solvency, liquidity and risk-based capital amounts were in excess of the minimum levels required. The typical adjustments to insurance statutory amounts to convert to U.S. GAAP include elimination of certain statutory reserves, deferral of certain acquisition costs, recognition of deferred income taxes, valuation of bonds at market and presentation of ceded reinsurance balances gross of assumed balances.

12. Debt Related to Trust Preferred Securities and Mandatorily Redeemable Preferred Securities

Trust Preferred Securities

On November 21, 2001, PartnerRe Capital Trust I (the Trust), a Delaware statutory business trust, issued $200 million of 7.90% Preferred Securities (trust preferred securities). The Trust is wholly owned by PartnerRe Finance I Inc. (PartnerRe Finance), a Delaware corporation formed solely for the purpose of issuing Junior Subordinated Debt securities to the Trust. PartnerRe Finance is an indirect, wholly owned subsidiary of the Company.

The Trust used the proceeds from the sale of the trust preferred securities to buy an equal principal amount of 7.90% junior subordinated debt securities of PartnerRe Finance and will distribute any cash payments it receives thereon to the holders of its preferred and common securities. The Trust will redeem the trust preferred securities on December 31, 2031, which date may be extended to a date no later than December 31, 2050, and may redeem them earlier, subject to the early redemption provisions of the Subordinated Debentures (discussed below). Distributions on the trust preferred securities are payable quarterly at an annual rate of 7.90%. The Trust may defer these payments for up to 20 consecutive quarters (the extension period), but not beyond the maturity of trust preferred securities. Any accumulated but unpaid distributions will continue to accrue interest at a rate of 7.90%, compounded quarterly, during the extension period.

The sole asset of the Trust consists of 7.90% Junior Subordinated Debt securities (the Subordinated Debentures) with a principal amount of $206.2 million issued by PartnerRe Finance. The Subordinated Debentures mature on December 31, 2031, which date may be extended to a date no later than December 31, 2050, and may be redeemed earlier, but no earlier than November 21, 2006. Interest on the Subordinated Debentures is payable quarterly at an annual rate of 7.90%. PartnerRe Finance may defer interest payments for up to 20 consecutive quarters, but not beyond the maturity of the Subordinated Debentures. Any accumulated but unpaid distributions will continue to accrue interest at an annual rate of 7.90%, compounded quarterly, during the extension period.

The Subordinated Debentures are unsecured obligations of PartnerRe Finance. The Company has fully and unconditionally guaranteed all obligations of PartnerRe Finance under the Subordinated Debentures. The Company s obligations under this guarantee are unsecured and will rank junior in priority of payment to the Company s current long-term debt (see Note 6). In the event of default under the Subordinated Debentures, the trust preferred securities will rank prior to the common securities of the Trust in priority of payments. The Company has guaranteed payments due on the trust preferred securities only to the extent that the Trust has funds on hand available for such payment.

As a result of the implementation of FIN 46(R) in December 2003, the Company has deconsolidated the Trust, which issued the trust preferred securities, and PartnerRe Finance, which owns the Trust, as they do not meet the consolidation requirements under this accounting guidance. The Company is reflecting the debt related to the Trust on its December 31, 2004 and 2003 Consolidated Balance Sheets (see Note 2(p)). This change in presentation had no impact on the Company s equity, book value or net income.

Mandatorily Redeemable Preferred Securities

On November 21, 2001, the Company issued 4 million Premium Equity Participating Security Units (PEPS Units). Each PEPS Unit consisted of (i) one of the Company s 5.61% Series B Cumulative Redeemable

Table of Contents

Preferred Shares, $1 par value, liquidation preference $50 per share (Series B preferred shares), and (ii) a purchase contract (purchase contract) issued by the Company pursuant to which the holder was obligated to purchase from the Company, no later than December 31, 2004, a number of common shares for a price of $50. The number of shares of common stock for each purchase contract was to be determined between 0.8696 and 1.0638 of the Company s common shares, depending on the share price of the common shares. The Company was required to redeem the Series B preferred shares on June 30, 2005, at a redemption price of $50 per Series B preferred share, plus all accrued and unpaid dividends. Each Series B preferred share was pledged to the Company s benefit to secure the holder s obligations under the purchase contract. Holders of Series B preferred shares were permitted to withdraw the pledged Series B preferred shares from the pledge arrangement only upon early settlement, settlement for cash or termination of the related purchase contract.

On December 31, 2004, the Company issued 3.5 million of its common shares following the settlement of the purchase contract associated with the PEPS Units. The Company participated in the remarketing of the Series B preferred shares and as a result purchased 100% of the outstanding Series B preferred shares. There was no net cash flows to the Company as the cash received from the sale of the common shares was equal to the cash required to acquire the Series B preferred shares in the remarketing process. The Series B preferred shares were subsequently cancelled and are no longer outstanding. In addition, following the settlement of the purchase contract on the PEPS Units, the PEPS Units have been retired and are no longer outstanding.

Dividends on Series B preferred shares were cumulative, accrued at a rate of 5.61% of the liquidation preference amount per year and were payable quarterly in arrears. In conjunction with the payment of dividends on the Series B preferred shares, purchase contract holders also received quarterly contract adjustment payments at a rate of 2.39% of the stated amount of $50 per purchase contract per year. All dividends and contract adjustment payments were fully paid as of December 31, 2004.

As a result of the adoption of SFAS 150 in July 2003, the Company classified its mandatorily redeemable preferred securities as liabilities on its December 31, 2003 Consolidated Balance Sheet (see Note 2(p)). This change in presentation had no impact on the Company s equity, book value or net income.

13. Shareholders Equity

Authorized Shares

At December 31, 2004 and 2003, the total authorized shares of the Company were 150 million shares, par value $1.00 per share. At December 31, 2004, 100 million shares were designated as common shares, 11.6 million shares were designated as 6.75% Series C Cumulative Redeemable Preferred Shares, 9.2 million shares were designated as 6.5% Series D Cumulative Redeemable Preferred Shares and 29.2 million shares remained undesignated. At December 31, 2003, 100 million shares were designated as common shares, 11.6 million shares were designated as 6.75% Series C Cumulative Redeemable Preferred Shares, 4 million shares were designated as Series B Cumulative Preferred Shares (see Note 12) and 34.4 million shares remained undesignated.

Common Shares

On May 17, 2004, the Board of Directors authorized the repurchase by the Company of up to 5 million of its common shares pursuant to a share repurchase program. On December 30, 2004, the Company repurchased 2 million of its common shares at a total cost of approximately $124.8 million. The shares were purchased from an investment bank under an accelerated share repurchase agreement at $62.42 per share. The

accelerated share repurchase agreement permitted the Company to repurchase the shares on December 30, 2004, while the investment bank will purchase shares in the market over time. The final payment under the program will be based on the volume weighted average daily market price of the Company s shares and is expected to be completed within twelve months. The Company may receive or be required to pay a price adjustment based on the final settlement of the repurchase transaction. The repurchased shares were cancelled and are no longer outstanding.

Table of Contents

During 2004, the Company also repurchased in the open market an additional 913,800 of common shares pursuant to the share repurchase program at a total cost of $48.5 million, or an average cost of $53.06. The repurchased shares were cancelled and are no longer outstanding.

On December 31, 2004, the Company issued 3.5 million of its common shares following the settlement of the purchase contract associated with the PEPS Units (see Note 12).

In November 2002, the Company issued 8 million common shares, at an initial price to the public of $46.40 per share net of underwriting fees, for net proceeds of $371.2 million. The net proceeds from the offering were used in part to repurchase 6 million common shares from Swiss Reinsurance Company and certain of its affiliates at a price per share equal to the Company s net proceeds after commissions. The repurchased shares were cancelled and are no longer outstanding.

Class B Warrants

In 1993, in connection with the issuance of common shares, the Company issued Class B Warrants to purchase, in the aggregate, up to approximately 6.8 million common shares provided certain performance criteria were met. The exercise price was also subject to adjustment upon the occurrence of certain events relating principally to changes in the number of common shares, options or Warrants outstanding. Twenty percent of the Class B Warrants were available for vesting on each of the first five anniversary dates of the issue of the Warrants. The vesting conditions for certain Class B Warrants available for vesting, which aggregated to 5.5 million Warrants, were not met and those Warrants were forfeited. The vesting conditions for 1.3 million Class B Warrants were met. Those Warrants were available for exercise through November 2004 at an exercise price of $17 per share. At December 31, 2003, the Class B Warrants were all exercised and no longer outstanding.

Series A Cumulative Preferred Shares

In 1997, the Company issued 10 million of 8% Series A Cumulative Preferred Shares, par value $1.00 per share, for net proceeds of $242.2 million, 2 million shares of which were issued to Swiss Re. Cumulative dividends of $0.50 per share were payable quarterly. In May 2003, the Company redeemed the existing 8% Series A Cumulative Preferred Shares.

While the redemption of the Preferred Shares had no impact on the net income of the Company, the difference between the aggregate liquidation value and the carrying value of the Series A Preferred Shares, which totaled $7.8 million, was treated as a dividend on Preferred Shares and resulted in a $7.8 million reduction in the net income available to common shareholders, which is used in the calculation of net income per share.

Series C Cumulative Preferred Shares

In May 2003, the Company issued 11.6 million of 6.75% Series C Cumulative Redeemable Preferred Shares for a total consideration of $280.9 million after underwriting discounts and commissions totaling $9.1 million. The Series C Cumulative Redeemable Preferred Shares cannot be redeemed before May 8, 2008. Beginning May 8, 2008, the Company may redeem the Series C Cumulative Redeemable Preferred Shares at

$25.00 per share plus accrued and unpaid dividends without interest. Dividends on the Series C Cumulative Redeemable Preferred Shares are cumulative from the date of issuance and are payable quarterly in arrears. A portion of the net proceeds from the sale, in the amount of $250.0 million, was used to redeem the Company s existing 8% Series A Cumulative Preferred Shares. The remaining net proceeds were used for general corporate purposes. In the event of liquidation of the Company, the holders of outstanding preferred shares would have preference over the common shareholders and would receive a distribution of $25.00 per share, or an aggregate value of $290 million, plus accrued dividends.

Series D Cumulative Preferred Shares

In November 2004, the Company issued 9.2 million of 6.5% Series D Cumulative Redeemable Preferred Shares for a total consideration of $222.3 million after underwriting discounts and commissions totaling

101

$7.7 million. The Series D Cumulative Redeemable Preferred Shares cannot be redeemed before November 15, 2009. Beginning November 15, 2009, the Company may redeem the Series D Cumulative Redeemable Preferred Shares, in whole at any time or in part from time to time, at $25.00 per share plus accrued and unpaid dividends without interest. Dividends on the Series D Cumulative Redeemable Preferred Shares are cumulative from the date of issuance and are payable quarterly in arrears. A portion of the net proceeds from the sale, in the amount of $124.8 million, was used to repurchase common shares under the accelerated share repurchase agreement. The remaining net proceeds were used for general corporate purposes. In the event of liquidation of the Company, the holders of outstanding preferred shares would have preference over the common shareholders and would receive a distribution of $25.00 per share, or an aggregate value of $230 million, plus accrued dividends.

Dividends

In 2004, the Company paid common dividends of $72.7 million in the form of quarterly dividends of $0.34 per share and paid $19.6 million of preferred dividends to Series C preference shareholders.

In 2003, the Company paid common dividends of $64.0 million in the form of quarterly dividends of $0.29 per share for the first two quarters of the year and $0.31 per share for the last two quarters of the year and paid $29.4 million of preferred dividends to Series A and Series C preference shareholders, which included $7.8 million related to the redemption of the Series A preferred shares.

In 2002, the Company paid common dividends of $58.4 million in the form of quarterly dividends of $0.28 per share for the first quarter of the year and $0.29 per share for the remaining quarters of the year and paid $20.0 million of preferred dividends to Series A preference shareholders.

Net Income per Share

The reconciliation of basic and diluted net income per share is as follows (in thousands of U.S. dollars, except per share amounts):

			2004			2003			2002
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Net income	**$ 492,353**			$ 467,679			$ 190,302		
Preferred dividends	**(21,485)**			(29,390)			(20,000)		
Net income available to common shareholders	**$ 470,868**	**53,490.8**	**$ 8.80**	$ 438,289	53,238.6	$ 8.23	$ 170,302	50,551.0	$ 3.37
Effect of dilutive securities:									
Class B warrants					224.7			896.7	
Stock options		**556.6**			432.6			460.0	
Net income available to common shareholders	**$ 470,868**	**54,047.4**	**$ 8.71**	$ 438,289	53,895.9	$ 8.13	$ 170,302	51,907.7	$ 3.28

14. Commitments and Contingencies

(a) Concentration of Credit Risk

The Company is exposed to credit risk in the event of non-performance by the counterparties to the Company s foreign exchange forward contracts and credit default swaps. However, because the counterparties to these agreements are high-quality international banks, the Company does not anticipate non-performance. The difference between the contract amounts and the related market value is the Company s maximum credit exposure.

102

Table of Contents

The Company s investment portfolio is managed following prudent standards of diversification. The Company is not exposed to any significant credit concentration risk on its investments, excluding debt securities issued by the U.S. and other AAA-rated sovereign governments. The Company s investment strategy allows for the use of derivative securities, subject to strict limitations. Derivative instruments may be used to hedge a variety of market risks, or to replicate investment positions or market exposures that would be allowed under the Company s investment policy if implemented in other ways.

(b) Lease Arrangements

The Company leases office space under operating leases expiring in various years through 2017. The leases are renewable at the option of the lessee under certain circumstances. The following is a schedule of future minimum rental payments, exclusive of escalation clauses, on non-cancelable leases as of December 31, 2004 (in thousands of U.S. dollars):

Period	Amount
2005	**$ 24,066**
2006	**22,133**
2007	**15,396**
2008	**15,248**
2009	**15,348**
2010 through 2017	**91,313**
Total future minimum rental payments	**$ 183,504**

Rent expense for the years ended December 31, 2004, 2003 and 2002, was $20.6 million, $16.4 million and $13.5 million, respectively.

The Company also entered into a non-cancelable operating sublease expiring in 2008. The minimum rent to be received by the Company in the future is $2.1 million per year through 2008. The lease is renewable at the option of the lessee under certain circumstances.

(c) Employment Agreements

The Company has entered into employment agreements with its executive officers. These agreements provide for annual compensation in the form of salary, benefits, annual incentive payments, options to purchase shares in the Company and the reimbursement of certain expenses, as well as certain severance provisions.

(d) U.S. Life Operations Representations and Warranties

As part of the agreement to sell the U.S. life operations in 2000, the Company entered into certain representations and warranties, extending through 2008, related to the enterprise being sold. At the time of the sale, the Company established a reserve of $15.0 million for potential future claims against such representations and warranties.

(e) Other Agreements

The Company has entered into service agreements and lease contracts that provide for business and information technology support and computer equipment. Future payments under these contracts amount to $6.4 million through 2009.

(f) Legal Proceedings

The Company s reinsurance subsidiaries 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 are subject to lawsuits and regulatory actions in the normal course of

103

Table of Contents

business that do not arise from or directly relate to claims on reinsurance treaties. This category of business litigation typically involves, inter alia, allegations of underwriting errors or misconduct, employment claims or regulatory activity. While the outcome of the business litigation cannot be predicted with certainty, the Company is disputing and will continue to dispute all allegations against the Company and/or its subsidiaries that Management believes are without merit.

As of December 31, 2004, the Company was not a party to any material litigation or arbitration other than as part of the ordinary course of business. While none of this is expected by Management to have a significant adverse effect on the Company s results of operations, financial condition and cash flows for a year, it does have the potential to adversely impact the results of a quarter.

15. Fair Value of Financial Instruments

For certain financial instruments where quoted market prices are not available, Management s best estimate of fair value may be based on quoted market prices of similar instruments or on other valuation techniques. SFAS No. 107 Disclosures about Fair Value of Financial Instruments (SFAS 107) excludes insurance contracts, other than financial guarantees, and investment contracts, investments accounted for under the equity method and certain other financial instruments.

The following methods and assumptions were used by the Company in estimating fair market value of each class of financial instruments recorded on the Consolidated Balance Sheets.

Fair value for fixed maturities, short-term investments, equities and trading securities are based on quoted market prices. Carrying value of other invested assets, excluding the investments recorded using the equity method, approximates fair value. Policy benefits for life and annuity contracts have a fair value equal to the cash value available to the policyholder should the policyholder surrender the policy. Fair values of long-term debt and debt related to trust preferred securities have been calculated as the present value of estimated future cash flows using a discount rate reflective of current market interest rates. For PEPS Units, fair value is based on quoted market prices, while carrying value is based on the liquidation value of the securities.

The carrying values and fair values of the financial instruments recorded in the Consolidated Balance Sheets as of December 31, 2004 and 2003, were as follows (in thousands of U.S. dollars):

	Carrying Value	2004 Fair Value	Carrying Value	2003 Fair Value
Assets				
Fixed maturities	**$ 6,723,580**	**$ 6,723,580**	$ 5,343,651	$ 5,343,651
Short-term investments	**28,694**	**28,694**	46,307	46,307
Equities	**1,010,777**	**1,010,777**	713,950	713,950
Trading securities	**108,402**	**108,402**	122,544	122,544
Other invested assets *(1)*	**5,290**	**5,290**	5,590	5,590
Liabilities				
Policy benefits for life and annuity contracts *(2)*	**$ 1,277,101**	**$ 1,277,101**	$ 1,162,016	$ 1,162,016
Long-term debt	**220,000**	**232,970**	220,000	237,830
Debt related to trust preferred securities	**206,186**	**212,720**	206,186	221,400
			200,000	226,960

Mandatorily redeemable preferred securities and purchase contracts (PEPS Units)

---

(1) In accordance with SFAS 107, the Company s investments in private equity investments accounted for under the equity method were excluded for the purpose of the fair value disclosure.

(2) Policy benefits for life and annuity contracts included short-duration and long-duration contracts.

Foreign Exchange Forward Contracts

The Company utilizes foreign exchange contracts as part of its overall currency risk management and investment strategies. In accordance with SFAS 133, these derivative instruments are shown on the

104

Table of Contents

Consolidated Balance Sheets at fair value, with changes in fair value recognized in either net realized investment gains and losses or net foreign exchange gains and losses in the Consolidated Statements of Operations.

Foreign exchange forward contracts outstanding as of December 31, 2004 and 2003, were as follows (in thousands of U.S. dollars):

	Contract Amount	Market Value	2004 Net Unrealized Gains (Losses)	Contract Amount	Market Value	2003 Net Unrealized Gains (Losses)
Receivable	**$ 1,465,392**	**$ 1,470,761**	**$ 5,369**	$ 856,925	$ 860,114	$ 3,189
Payable	**(1,465,392)**	**(1,467,225)**	**(1,833)**	(856,925)	(858,426)	(1,501)
Net	**$**	**$ 3,536**	**$ 3,536**	$	$ 1,688	$ 1,688

Foreign Currency Option Contracts

The Company also enters into foreign currency options to mitigate foreign currency risk. For the years ended December 31, 2004 and 2003, the balances related to contracts maturing on December 31 were a receivable of $4.8 million and a payable of $1.1 million, respectively. At December 31, 2004 and 2003, there were no outstanding contracts.

Futures Contracts

Exchange traded bond and note futures are used by the Company as substitutes for ownership of the physical bonds and notes for the purposes of managing portfolio duration. The net short position for bond and note futures was $110 million and $10 million, respectively, at December 31, 2004 and 2003. The Company has also used equity futures to replicate equity investment positions. The net long position for equity futures was $46 million and $nil, respectively, at December 31, 2004 and 2003.

Weather Derivatives

As a part of the Company s ART operations, the Company has entered into various weather derivatives. These weather derivatives are recorded at fair value with the changes in fair value reported in other income in the Consolidated Statements of Operations. The Company uses internal valuation models to estimate the fair value of these derivatives. The fair value of weather derivatives (the Company s net liabilities) was a net unrealized loss of $5.1 million and $0.9 million, respectively, at December 31, 2004 and 2003.

Total Return and Interest Rate Swaps

As a part of the Company s ART operations, the Company has entered into total return swaps referencing various structured finance obligations. The Company has also entered into interest rate swaps to mitigate interest rate risk on certain total return swaps. Income related to these swaps and any fair value adjustments on the swaps are included in other income in the Consolidated Statements of Operations. The Company records these swaps at fair value, based on quoted market prices. Where such valuations are not available, the Company uses internal valuation models to estimate fair value. The fair value of those derivatives (the Company s net assets or liabilities) was a net unrealized gain of $3.3 million and $1.1 million, respectively, at December 31, 2004 and 2003.

16. Credit Agreements

In the normal course of its operations, the Company enters into agreements with financial institutions to obtain unsecured credit facilities. As of December 31, 2004, the total amount of such credit facilities available to the Company was $820.8 million. These facilities are used primarily for the issuance of letters

of credit. Under the terms of certain reinsurance agreements, irrevocable letters of credit were issued on an unsecured basis in the amount of $357.2 million and $327.7 million at December 31, 2004 and 2003, respectively, in respect of reported loss and unearned premium reserves.

Included in the total credit facilities available to the Company at December 31, 2004, is a $700 million three year syndicated, unsecured credit facility. This facility was executed in June 2004 on substantially the same terms and conditions as the maturing facility, except for the term of the facility, which was extended from 364 days to three years, and an increase in the minimum consolidated tangible net worth (defined as total shareholders equity plus trust preferred and mandatorily redeemable preferred securities minus goodwill) from $1,250 million plus 50% of cumulative net income for the period from January 1, 2002 through the end of the most recently ended fiscal year to $1,825 million plus 50% of cumulative net income for the period from January 1, 2004 through the end of the most recently ended fiscal year. This facility is predominantly used for the issuance of letters of credit although the Company does have access to a $350 million revolving line of credit under this facility. As of December 31, 2004, there were no borrowings under this line of credit.

Some of the credit facilities contain customary default and cross default provisions and require that the Company maintain certain covenants, including the following:

i. a financial strength rating from A.M. Best Company of at least A- (for the Company s material reinsurance subsidiaries that are rated by A.M. Best Company);

ii. a maximum ratio of total debt to total capitalization of 35% (for the purposes of this covenant, debt does not include trust preferred and mandatorily redeemable preferred securities); and

iii. a minimum consolidated tangible net worth of $1,825 million plus 50% of cumulative net income since January 1, 2004 through the end of the most recently ended fiscal year. For the purposes of this covenant, consolidated tangible net worth includes trust preferred and mandatorily redeemable preferred securities and excludes goodwill. Minimum consolidated tangible net worth required at December 31, 2004 was $2,071.2 million.

Additionally, the facilities allow for an adjustment to the level of pricing should the Company experience a change in its senior unsecured credit rating. The pricing grid provides the Company greater flexibility and simultaneously provides participants under the facility some price protection. As long as the Company maintains a minimum rating of A- or better, the pricing on the facility will not change significantly.

The Company s breach of any of these covenants would result in an event of default, upon which the Company would likely be required to repay any outstanding borrowings and replace or cash collateralize letters of credit issued under these facilities. At December 31, 2004 and 2003, the Company met all the covenants. Its total debt to total capitalization ratio was 5.8% and 6.8%, respectively, and its consolidated tangible net worth (as defined under the terms of these facilities) was $3,122.4 million and $2,564.9 million, respectively.

17. Segment Information

The Company monitors the performance of its underwriting operations in three segments, Non-life, ART (Alternative Risk Transfer) and Life. The Non-life segment is further divided into three sub-segments, U.S. Property and Casualty, Global (Non-U.S.) Property and Casualty and Worldwide Specialty. Segments and sub-segments represent markets that are reasonably homogeneous in terms of geography, client types, buying patterns, underlying risk patterns and approach to risk management.

The U.S. Property and Casualty sub-segment includes property, casualty and motor risks generally originating in the United States and written by PartnerRe U.S. The Global (Non-U.S.) Property and Casualty sub-segment includes property, casualty and motor risks generally originating outside of the United States, written by Partner Reinsurance Company and PartnerRe SA. The Worldwide Specialty sub-segment is comprised of business that is generally considered to be specialized due to the sophisticated technical

106

Table of Contents

underwriting required to analyze risks, and is global in nature, inasmuch as appropriate risk management for these lines requires a globally diversified portfolio of risks. This sub-segment consists of several lines of business for which the Company believes it has developed specialized knowledge and underwriting capabilities. These lines of business include agriculture, aviation/space, catastrophe, credit/surety, engineering/energy, marine, special risk and other lines. The ART segment includes structured risks, structured finance and weather-related products, and the Company s share of Channel Re s net income since the second quarter of 2004. The Life segment includes life, health and annuity lines of business.

Because the Company does not manage its assets by segment, investment income is not allocated to the Non-life segment of the reinsurance operations. However, because of the interest-sensitive nature of some of the Company s Life and ART products, investment income is considered in Management s assessment of the profitability of the Life and ART segments. The following items are not considered in evaluating the results of each segment: net realized investment gains and losses, interest expense, net foreign exchange gains and losses, income tax expense or benefit, distributions related to trust preferred and mandatorily redeemable preferred securities and preferred share dividends. Segment results are shown net of intercompany transactions. The Company has treated its ART operations as a reportable segment beginning in the first quarter of 2004. Segment information for prior periods has been reclassified to conform to this new presentation.

Management measures results for the Non-life segment on the basis of the loss ratio , acquisition ratio , technical ratio , other operating expense ratio and combined ratio. The loss ratio is obtained by dividing losses and loss expenses by net premiums earned, the acquisition ratio is obtained by dividing acquisition costs by net premiums earned and the other operating expense ratio is obtained by dividing other operating expenses by net premiums earned. The technical ratio is the sum of the loss and acquisition ratios. The combined ratio is the sum of the technical and other operating expense ratios. Management measures results for the Non-life sub-segments on the basis of the loss ratio, acquisition ratio and technical ratio. Management measures segment results for the Life and ART segments on the basis of the allocated underwriting result , which includes revenues from net premiums earned, other income, net investment income for ART and allocated net investment income for Life, and expenses from losses and loss expenses and life policy benefits, acquisition costs and other operating expenses.

Table of Contents

The following table provides a summary of the segment revenues and results for the years ended December 31, 2004, 2003 and 2002 (in millions of U.S. dollars, except ratios):

Segment Information

For the Year Ended December 31, 2004

	U.S. Property and Casualty	Global (Non-U.S. Property and Casualty)	Worldwide Specialty	Total Non-Life Segment	ART Segment(A)	Life Segment	Corporate	Total
Gross premiums written	$ 991	$ 944	$ 1,531	$ 3,466	$ 5	$ 417	$	$ 3,888
Net premiums written	$ 990	$ 945	$ 1,509	$ 3,444	$ 5	$ 404	$	$ 3,853
(Increase) decrease in unearned premiums	(97)	(16)	(9)	(122)	1	2		(119)
Net premiums earned	$ 893	$ 929	$ 1,500	$ 3,322	$ 6	$ 406	$	$ 3,734
Losses and loss expenses and life policy benefits	(699)	(730)	(744)	(2,173)	(7)	(296)		(2,476)
Acquisition costs	(204)	(238)	(323)	(765)	(1)	(136)		(902)
Technical Result	**$ (10)**	**$ (39)**	**$ 433**	**$ 384**	**$ (2)**	**$ (26)**	**$**	**$ 356**
Other income	n/a	n/a	n/a	6	18			24
Other operating expenses	n/a	n/a	n/a	(194)	(13)	(22)	(42)	(271)
Underwriting Result	**n/a**	**n/a**	**n/a**	**$ 196**	**$ 3**	**$ (48)**	**n/a**	**$ 109**
Net investment income	n/a	n/a	n/a	n/a		44	254	298
Allocated Underwriting Result (6)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ (4)**	**n/a**	**n/a**
Net realized investment gains	n/a	n/a	n/a	n/a	n/a	n/a	117	117
Interest expense	n/a	n/a	n/a	n/a	n/a	n/a	(41)	(41)
Net foreign exchange gains	n/a	n/a	n/a	n/a	n/a	n/a	17	17
Income tax expense	n/a	n/a	n/a	n/a	n/a	n/a	(8)	(8)
Net Income	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ 492**
Loss ratio (1)	78.2%	78.6%	49.6%	65.4%				
Acquisition ratio (2)	22.8	25.6	21.6	23.0				
Technical ratio (3)	101.0%	104.2%	71.2%	88.4%				
Other operating expense ratio (4)				5.9				
Combined ratio (5)				94.3%				

(A) This segment includes the Company s share of Channel Re s net income in the amount of $6:0 million.

(1) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.

(2) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.

(3) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

(4) Other operating expense ratio is obtained by dividing other operating expenses by net premiums earned.

(5) Combined ratio is the sum of the technical ratio and the other operating expense ratio.

(6) Allocated Underwriting Result is defined as net premiums earned and allocated investment income less losses and loss expenses, acquisition costs and other operating expenses.

Table of Contents

Segment Information

For the Year Ended December 31, 2003

	U.S. Property and Casualty	Global (Non-U.S. Property and Casualty)	Worldwide Specialty	Total Non-Life Segment	ART Segment	Life Segment	Corporate	Total
Gross premiums written	$ 920	$ 848	$ 1,542	$ 3,310	$ 5	$ 310	$	$ 3,625
Net premiums written	$ 920	$ 849	$ 1,517	$ 3,286	$ 4	$ 300	$	$ 3,590
(Increase) decrease in unearned premiums	(77)	(10)	1	(86)	(1)			(87)
Net premiums earned	$ 843	$ 839	$ 1,518	$ 3,200	$ 3	$ 300	$	$ 3,503
Losses and loss expenses and life policy benefits	(645)	(625)	(829)	(2,099)		(267)		(2,366)
Acquisition costs	(214)	(209)	(289)	(712)		(61)		(773)
Technical Result	**$ (16)**	**$ 5**	**$ 400**	**$ 389**	**$ 3**	**$ (28)**	**$**	**$ 364**
Other income	n/a	n/a	n/a	9	12			21
Other operating expenses	n/a	n/a	n/a	(176)	(11)	(19)	(30)	(236)
Underwriting Result	**n/a**	**n/a**	**n/a**	**$ 222**	**$ 4**	**$ (47)**	**n/a**	**$ 149**
Net investment income	n/a	n/a	n/a	n/a		53	209	262
Allocated Underwriting Result (6)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ 6**	**n/a**	**n/a**
Net realized investment gains	n/a	n/a	n/a	n/a	n/a	n/a	87	87
Interest expense	n/a	n/a	n/a	n/a	n/a	n/a	(18)	(18)
Net foreign exchange gains	n/a	n/a	n/a	n/a	n/a	n/a	12	12
Income tax expense	n/a	n/a	n/a	n/a	n/a	n/a	(2)	(2)
Distributions related to trust preferred and mandatorily redeemable preferred securities	n/a	n/a	n/a	n/a	n/a	n/a	(22)	(22)
Net Income	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ 468**
Loss ratio (1)	76.5%	74.5%	54.6%	65.6%				
Acquisition ratio (2)	25.4	24.8	19.0	22.2				
Technical ratio (3)	101.9%	99.3%	73.6%	87.8%				
Other operating expense ratio (4)				5.5				
Combined ratio (5)				93.3%				

(1) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.

(2) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.

(3) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

(4) Other operating expense ratio is obtained by dividing other operating expenses by net premiums earned.

(5) Combined ratio is the sum of the technical ratio and the other operating expense ratio.

(6) Allocated Underwriting Result is defined as net premiums earned and allocated investment income less losses and loss expenses, acquisition costs and other operating expenses.

Table of Contents

Segment Information

For the Year Ended December 31, 2002

	U.S. Property and Casualty	Global (Non-U.S. Property and Casualty)	Worldwide Specialty	Total Non-Life Segment	ART Segment	Life Segment	Corporate	Total
Gross premiums written	$ 652	$ 617	$ 1,254	$ 2,523	$ 1	$ 182	$	$ 2,706
Net premiums written	$ 649	$ 600	$ 1,231	$ 2,480	$ 1	$ 174	$	$ 2,655
Increase in unearned premiums	(49)	(40)	(136)	(225)	(1)	(3)		(229)
Net premiums earned	$ 600	$ 560	$ 1,095	$ 2,255	$	$ 171	$	$ 2,426
Losses and loss expenses and life policy benefits	(446)	(439)	(678)	(1,563)		(153)		(1,716)
Acquisition costs	(161)	(140)	(194)	(495)		(61)		(556)
Technical Result	**$ (7)**	**$ (19)**	**$ 223**	**$ 197**	**$**	**$ (43)**	**$**	**$ 154**
Other income	n/a	n/a	n/a	1	5			6
Other operating expenses	n/a	n/a	n/a	(124)	(8)	(12)	(18)	(162)
Underwriting Result	**n/a**	**n/a**	**n/a**	**$ 74**	**$ (3)**	**$ (55)**	**n/a**	**$ (2)**
Net investment income	n/a	n/a	n/a	n/a	1	34	210	245
Allocated Underwriting Result (6)	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ (21)**	**n/a**	**n/a**
Net realized investment losses	n/a	n/a	n/a	n/a	n/a	n/a	(7)	(7)
Interest expense	n/a	n/a	n/a	n/a	n/a	n/a	(13)	(13)
Net foreign exchange losses	n/a	n/a	n/a	n/a	n/a	n/a	(3)	(3)
Income tax expense	n/a	n/a	n/a	n/a	n/a	n/a	(3)	(3)
Distributions related to trust preferred and mandatorily redeemable preferred securities	n/a	n/a	n/a	n/a	n/a	n/a	(27)	(27)
Net Income	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**$ 190**
Loss ratio (1)	74.3%	78.3%	61.9%	69.3%				
Acquisition ratio (2)	26.8	25.1	17.7	22.0				
Technical ratio (3)	101.1%	103.4%	79.6%	91.3%				
Other operating expense ratio (4)				5.5				
Combined ratio (5)				96.8%				

(1) Loss ratio is obtained by dividing losses and loss expenses by net premiums earned.

(2) Acquisition ratio is obtained by dividing acquisition costs by net premiums earned.

(3) Technical ratio is defined as the sum of the loss ratio and the acquisition ratio.

(4) Other operating expense ratio is obtained by dividing other operating expenses by net premiums earned.

(5) Combined ratio is the sum of the technical ratio and the other operating expense ratio.

(6) Allocated Underwriting Result is defined as net premiums earned and allocated investment income less losses and loss expenses, acquisition costs and other operating expenses.

The following table provides the distribution of net premiums written by line of business (as a percentage of total net premiums written) for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
Non-life			
Property and Casualty			
Property	**19%**	21%	20%
Casualty	**21**	19	15
Motor	**10**	10	12
Worldwide Specialty			
Agriculture	**4**	4	6
Aviation/Space	**6**	8	9
Catastrophe	**9**	10	11
Credit/Surety	**6**	5	5
Engineering/Energy	**6**	7	7
Marine	**2**	3	3
Special Risk	**6**	5	5
ART			
Life	**11**	8	7

The following table provides the geographic distribution of gross premiums written for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
Europe	**45%**	41%	39%
North America	**40**	44	44
Asia, Australia and New Zealand	**9**	10	11
Latin America and the Caribbean	**5**	4	5
Africa	**1**	1	1

The Company produces its business both through brokers and through direct relationships with insurance company clients. None of the Company s clients accounted for more than 4% of total gross premiums written. In 2004, the Company had one broker that accounted for 10% or more of its gross premiums written. This broker accounted for 16% of gross premiums written, which represented 17% of the gross premiums written of the U.S. Property and Casualty sub-segment, 17% of the gross premiums written of the Global (Non-U.S.) Property and Casualty sub-segment, 13% of the gross premiums written of the Worldwide Specialty sub-segment and 19% of the Life segment. In 2003, the Company had one broker that accounted for 10% or more of its gross premiums written. This broker accounted for 17% of gross premiums written, which represented 20% of the gross premiums written of the U.S. Property and Casualty sub-segment, 18% of the gross premiums written of the Global (Non-U.S.) Property and Casualty sub-segment, 12% of the gross premiums written of the Worldwide Specialty sub-segment and 27% of the Life segment. In 2002, the Company had two brokers that accounted for 10% or more of its gross premiums written. One of them accounted for 14% of gross premiums written, which represented 20% of the gross premiums written of the U.S. Property and Casualty sub-segment, 13% of the gross premiums written of the Global (Non-U.S.) Property and Casualty sub-segment, 13% of the gross premiums written of the Worldwide Specialty sub-segment and 4% of the Life segment. The other broker accounted for 13% of gross premiums written, which represented 35% of the gross premiums written of U.S. Property and Casualty sub-segment, 2% of the gross premiums written of the Global (Non-U.S.) Property and Casualty sub-segment, 9% of the gross premiums written of the Worldwide Specialty sub-segment and 2% of the Life segment.

Table of Contents

18. Unaudited Quarterly Financial Information

(in millions of U.S. dollars, except per share amounts)	2004 Fourth Quarter	Third Quarter	Second Quarter	First Quarter	2003 Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net premiums written	**$ 683.0**	**$ 805.3**	**$ 840.7**	**$ 1,523.7**	$ 772.5	$ 743.5	$ 838.9	$ 1,234.7
Net premiums earned	**942.3**	**943.8**	**954.8**	**892.8**	946.1	888.2	862.8	806.2
Net investment income	**80.0**	**69.6**	**74.9**	**73.6**	73.2	64.4	63.0	61.1
Net realized investment gains	**38.6**	**32.8**	**8.0**	**37.8**	19.0	12.0	15.6	40.1
Other income	**6.9**	**9.7**	**4.1**	**2.8**	12.1	3.9	2.9	2.3
Losses and loss expenses and life policy benefits	**625.3**	**660.9**	**619.6**	**569.9**	661.6	593.9	554.3	556.0
Acquisition costs and other operating expenses	**295.5**	**310.7**	**294.7**	**271.9**	267.6	260.6	259.7	221.0
Interest expense and net foreign exchange (gains) losses	**(4.5)**	**9.4**	**10.2**	**9.0**	3.3	6.0	(2.0)	(0.6)
Distributions related to trust preferred and mandatorily redeemable preferred securities					4.0	4.0	6.8	6.8
Income tax expense (benefit)	**7.8**	**(8.3)**	**(2.5)**	**10.6**	9.3	(12.9)	3.6	2.1
Net income	**143.7**	**83.2**	**119.8**	**145.6**	104.6	116.9	121.9	124.4
Preferred dividends	**6.8**	**4.9**	**4.9**	**4.9**	5.0	4.9	14.6	5.0
Net income available to common shareholders	**$ 136.9**	**$ 78.3**	**$ 114.9**	**$ 140.7**	$ 99.6	$ 112.0	$ 107.3	$ 119.4
Basic net income per common share	**$ 2.58**	**$ 1.47**	**$ 2.14**	**$ 2.62**	$ 1.85	$ 2.09	$ 2.02	$ 2.28
Diluted net income per common share	**$ 2.54**	**$ 1.46**	**$ 2.12**	**$ 2.59**	$ 1.84	$ 2.08	$ 2.00	$ 2.22
Dividends declared per common share	**$ 0.34**	**$ 0.34**	**$ 0.34**	**$ 0.34**	$ 0.31	$ 0.31	$ 0.29	$ 0.29
Common share price range								
High	**$ 62.63**	**$ 57.16**	**$ 58.70**	**$ 59.95**	$ 58.05	$ 51.75	$ 58.65	$ 54.35
Low	**53.74**	**50.34**	**54.69**	**53.75**	51.13	47.51	49.80	45.00

19. Subsequent Event

In January 2005, the Company announced expected claims relating to its exposure to windstorm Erwin, which hit Northern Europe in early January, to be between $50 million and $60 million. The Company s loss estimate is based on the assessment of individual treaties as well as client data. The loss estimate for windstorm Erwin is consistent with the Company s market position in that region.

112

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have audited the accompanying consolidated balance sheets of PartnerRe Ltd. and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations and comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PartnerRe Ltd. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(p) to the consolidated financial statements, the Company changed its method of accounting for its Mandatorily Redeemable Preferred Securities on July 1, 2003, upon its adoption of newly issued Statement of Financial Accounting Standards No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity and its method of accounting for its Trust Preferred Securities on December 31, 2003, upon its adoption of newly issued Financial Accounting Standards Board Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities .

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2005 expressed an unqualified opinion on management s assessment of the effectiveness of the Company s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ Deloitte & Touche
Deloitte & Touche

Hamilton, Bermuda

March 7, 2005

113

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of the Company s Management, including the Company s Chief Executive Officer and Chief Financial Officer, as of December 31, 2004 of the effectiveness of the design and operation of the Company s disclosure controls and procedures, as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are reasonably designed to be effective in alerting them on a timely basis to material information relating to the Company and its subsidiaries.

Management s Report on Internal Control over Financial Reporting

The Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company s internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company s Management has assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2004. In making this assessment, the Company s Management used the criteria set forth by the Committee of Sponsoring Organizations of the

Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment and those criteria, Management believes that the Company maintained effective internal control over financial reporting as of December 31, 2004.

The Company s independent registered public accounting firm has issued an audit report on Management s assessment of the Company s internal control over financial reporting. That report appears on page 115.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company s internal control over the financial reporting identified in connection with such evaluation that occurred during the Company s fourth quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have audited management s assessment, included in the accompanying Management s Report on Internal Control over Financial Reporting, that PartnerRe Ltd. and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management s assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2004 of the Company and our report dated March 7, 2005 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche
Deloitte & Touche

Hamilton, Bermuda

March 7, 2005

Table of Contents

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information with respect to directors and executive officers of the Company is contained under the captions Directors and Executive Officers of the Company and Election of Directors in the Proxy Statement and is incorporated herein by reference in response to this item.

CODE OF ETHICS

The information with respect to the Company s code of ethics is contained under the caption Code of Business Conduct and Ethics in the Proxy Statement and is incorporated herein by reference in response to this item.

AUDIT COMMITTEE

The information with respect to the Company s audit committee is contained under the caption Audit Committee in the Proxy Statement and is incorporated herein by reference in response to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information with respect to executive compensation is contained under the caption Executive Compensation and Director Compensation in the Proxy Statement and is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information with respect to security ownership of certain beneficial owners and management and the equity compensation plan disclosure is contained under the captions Security Ownership of Certain Beneficial Owners, Management and Directors and Equity Compensation Plan Information in the Proxy Statement and is incorporated herein by reference in response to these items.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information with respect to certain relationships and related transactions is contained under the caption Certain Relationships and Related Transactions in the Proxy Statement and is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information with respect to principal accountant fees and services is contained under the caption Principal Accountant Fees and Services in the Proxy Statement and is incorporated herein by reference in response to this item.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

		Incorporated by Reference				
	Exhibit Description	**Form**	**Original Number**	**Date Filed**	**SEC File Reference Number**	**Filed Herewith**
(a)	**Exhibits and Financial Statement Schedules**					
1.	**Financial Statements**					
	Included in Part II See Item 8 of this report					X
2.	**Financial Statement Schedules**					
	Included in Part IV of this report:					
	Report of Independent Registered Public Accounting Firm on Schedules					X
	Schedule I Consolidated Summary of Investments as of December 31, 2004					X
	Schedule II Condensed Financial Information of PartnerRe Ltd.					X
	Schedule III Supplementary Insurance Information for the Years Ended December 31, 2004, 2003 and 2002					X
	Schedule IV Reinsurance for the Years Ended December 31, 2004, 2003 and 2002					X
	Schedule V Supplemental Information Concerning Property-Casualty Insurance Operations for the Years Ended December 31, 2004, 2003 and 2002					X
3.	**Exhibits**					
	Included on page 127					

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 10, 2005.

PARTNERRE LTD.

By: /s/ ALBERT A. BENCHIMOL
Name: **Albert A. Benchimol**
Title: **Executive Vice President & Chief Financial Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ PATRICK A. THIELE **Patrick A. Thiele**	President and Chief Executive Officer and Director	March 10, 2005
/s/ ALBERT A. BENCHIMOL **Albert A. Benchimol**	Executive Vice President and Chief Financial Officer	March 10, 2005
/s/ JOHN A. ROLLWAGEN **John A. Rollwagen**	Chairman of the Board of Directors	March 10, 2005
/s/ VITO H. BAUMGARTNER **Vito H. Baumgartner**	Director	March 10, 2005
/s/ ROBERT M. BAYLIS **Robert M. Baylis**	Director	March 10, 2005
/s/ JUDITH HANRATTY **Judith Hanratty**	Director	March 10, 2005
/s/ JAN H. HOLSBOER **Jan H. Holsboer**	Director	March 10, 2005
/s/ JEAN-PAUL MONTUPET	Director	March 10, 2005

Signature	Title	Date
Jean-Paul Montupet		
/s/ RÉMY SAUTTER	Director	March 10, 2005
Rémy Sautter		
/s/ KEVIN M. TWOMEY	Director	March 10, 2005
Kevin M. Twomey		
/s/ JURGEN ZECH	Director	March 10, 2005
Jurgen Zech		

118

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of PartnerRe Ltd.

We have audited the consolidated financial statements of PartnerRe Ltd. and subsidiaries (the Company) as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the Company s change in method of accounting for Mandatorily Redeemable Preferred Securities and Trust Preferred Securities), management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2004, and the effectiveness of the Company s internal control over financial reporting as of December 31, 2004, and have issued our reports thereon dated March 7, 2005; such reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of the Company listed in Item 15. These consolidated financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche
Deloitte & Touche

Hamilton, Bermuda

March 7, 2005

Table of Contents

SCHEDULE I

PartnerRe Ltd.

Consolidated Summary of Investments

Other Than Investments in Related Parties

as of December 31, 2004

(Expressed in thousands of U.S. dollars)

Type of investment	Cost(1)	Fair Value	Amount at which shown in the balance sheet
Fixed Maturities:			
Bonds:			
United States government and government agencies and authorities	$ 1,812,183	$ 1,820,657	$ 1,820,657
States, municipalities and political subdivisions	2,432	2,436	2,436
Foreign governments	1,862,970	1,904,617	1,904,617
Public utilities	3,100	3,248	3,248
Convertibles and bonds with warrants attached	90,171	95,562	95,562
All other corporate bonds	2,930,998	2,992,622	2,992,622
Total fixed maturities	6,701,854	6,819,142	6,819,142
Equity Securities:			
Common stocks:			
Banks, trust and insurance companies	580,711	651,601	651,601
Industrial, miscellaneous and all other	306,295	359,177	359,177
Non-redeemable preferred stocks	12,200	12,839	12,839
Total equity securities	899,206	1,023,617	1,023,617
Real estate	556	xxxxxx	556
Other long-term investments	88,479	xxxxxx	89,712
Short-term investments	28,691	28,694	28,694
Total investments	$ 7,718,786	$ xxxxxxx	$ 7,961,721

(1) Original cost of equity securities and, as to fixed maturities, original cost reduced by repayments and adjusted for amortization of premiums or accrual of discounts, net of other-than-temporary impairment. Real estate is at amortized cost.

The above table includes the Company s trading securities as well as its real estate, Channel Re and other long-term investments and excludes its cash holdings.

Table of Contents

SCHEDULE II

PartnerRe Ltd.

Condensed Balance Sheets Parent Company Only

as of December 31, 2004 and 2003

(Expressed in thousands of U.S. dollars except parenthetical share data)

	December 31, 2004	December 31, 2003
Assets		
Cash and cash equivalents, at fair value, which approximates amortized cost	$ 82,756	$ 4,276
Investments in subsidiaries	2,766,268	2,265,270
Intercompany balances receivable	507,535	524,912
Other	459	154
Total assets	$ 3,357,018	$ 2,794,612
Liabilities		
Accounts payable, accrued expenses and other	$ 5,154	$ 220
Mandatorily redeemable preferred securities		200,000
Total liabilities	5,154	200,220
Shareholders Equity		
Common shares (par value $1.00, issued and outstanding: 2004, 54,854,398; 2003, 53,741,553)	54,854	53,742
Series C cumulative preferred shares (par value $1.00, issued and outstanding: 2004 and 2003, 11,600,000; aggregate liquidation preference: 2004 and 2003, $290,000,000)	11,600	11,600
Series D cumulative preferred shares (par value $1.00, issued and outstanding: 2004, 9,200,000; 2003, nil; aggregate liquidation preference: 2004, $230,000,000; 2003, nil)	9,200	
Other shareholders equity	3,276,210	2,529,050
Total shareholders equity	3,351,864	2,594,392
Total liabilities and shareholders equity	$ 3,357,018	$ 2,794,612

121

Table of Contents

SCHEDULE II

PartnerRe Ltd.

Condensed Statements of Income Parent Company Only

Years ended December 31, 2004, 2003 and 2002

(Expressed in thousands of U.S. dollars)

	December 31, 2004	December 31, 2003	December 31, 2002
Revenues			
Equity in net income of subsidiaries	$ 485,994	$ 398,147	$ 137,404
Interest on intercompany balances	25,891	24,450	20,734
Net realized investment gains			59,449
Net investment income	517	325	189
	512,402	422,922	217,776
Expenses			
Other operating expenses	57,249	31,144	17,219
Net foreign exchange gains	(37,200)	(81,511)	(965)
	20,049	(50,367)	16,254
Income before distributions related to mandatorily redeemable preferred securities	492,353	473,289	201,522
Distributions related to mandatorily redeemable preferred securities		5,610	11,220
Net Income	$ 492,353	$ 467,679	$ 190,302

122

Table of Contents

SCHEDULE II

PartnerRe Ltd.

Condensed Statements of Cash Flows Parent Company Only

Years ended December 31, 2004, 2003 and 2002

(Expressed in thousands of U.S. dollars)

	December 31, 2004	December 31, 2003	December 31, 2002
Cash Flows from Operating Activities			
Net income	$ 492,353	$ 467,679	$ 190,302
Adjustments to reconcile net income to net cash used in operating activities:			
Equity in net income of subsidiaries	(485,994)	(398,147)	(137,404)
Net realized investment gains			(59,449)
Other changes in assets and liabilities	13,093	(2,414)	(612)
Other items, net	(37,200)	(81,511)	(829)
Net cash used in operating activities	(17,748)	(14,393)	(7,992)
Cash Flows from Investing Activities			
Advances from and to subsidiaries	123,696	7,404	41,434
Other	(187)		
Net cash provided by investing activities	123,509	7,404	41,434
Cash Flows from Financing Activities			
Cash dividends paid to shareholders	(92,270)	(93,424)	(78,418)
Net (repurchase) issue of common shares	(152,514)	14,497	99,112
Issue of preferred shares	222,281	280,865	
Redemption of preferred shares		(242,163)	
Adjustment on purchase contract for common shares	(4,780)	(4,780)	(4,864)
Net cash (used in) provided by financing activities	(27,283)	(45,005)	15,830
Effect of foreign exchange rate changes on cash	2		11
Increase (decrease) in cash and cash equivalents	78,480	(51,994)	49,283
Cash and cash equivalents beginning of year	4,276	56,270	6,987
Cash and cash equivalents end of year	$ 82,756	$ 4,276	$ 56,270

(1) The Company received non-cash dividends from its subsidiaries of $150.0 million, $150.0 million and $110.0 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(2) In 2004, the Company issued 3.5 million of its common shares following the settlement of the purchase contract associated with the Premium Equity Participating Security Units (PEPS Units). The Company participated in the remarketing of the Series B preferred shares and as a result purchased 100% of the outstanding Series B preferred shares. There was no net cash flows to the Company as the cash received from the sale of the common shares was equal to the cash required to acquire the Series B preferred shares in the remarketing process.

Table of Contents

SCHEDULE III

PartnerRe Ltd.

Supplementary Insurance Information

For the years ended December 31, 2004, 2003 and 2002

(Expressed in thousands of U.S. dollars)

	DAC	Gross Reserves	Unearned Premiums	Other Benefits Payable	Premium Revenue	Net Investment Income	Losses Incurred	Amortization of DAC	Other Operating Expenses	Premium Written
2004										
Non-life	$ 301,622	$ 5,765,790	$ 1,184,605		$ 3,321,944	N/A	$ 2,172,777	$ 765,044	$ 193,802	$ 3,444,076
ART	40	839	209		5,631	N/A	6,903	693	12,805	4,592
Life	107,670		9,964	$ 1,277,101	406,165	$ 44,417	296,063	135,817	22,736	N/A
Corporate						253,580			41,988	
Total	$ 409,332	$ 5,766,629	$ 1,194,778	$ 1,277,101	$ 3,733,740	$ 297,997	$ 2,475,743	$ 901,554	$ 271,331	$ 3,448,668
2003										
Non-life	$ 242,225	$ 4,754,195	$ 1,023,291		$ 3,199,963	N/A	$ 2,098,516	$ 711,618	$ 174,459	$ 3,285,243
ART		864	956		3,136	N/A	148	273	12,014	4,314
Life	112,629		11,203	$ 1,162,016	300,343	$ 53,366	267,078	61,339	18,941	N/A
Corporate						208,331			30,325	
Total	$ 354,854	$ 4,755,059	$ 1,035,450	$ 1,162,016	$ 3,503,442	$ 261,697	$ 2,365,742	$ 773,230	$ 235,739	$ 3,289,557
2002										
Non-life	$ 199,181	$ 3,658,416	$ 859,271		$ 2,255,231	N/A	$ 1,562,978	$ 495,375	$ 123,567	$ 2,479,934
ART	127		634		211	N/A		42	7,995	845
Life	105,565		10,020	$ 815,978	170,294	$ 34,457	152,784	60,668	12,927	N/A
Corporate						210,732			17,217	
Total	$ 304,873	$ 3,658,416	$ 869,925	$ 815,978	$ 2,425,736	$ 245,189	$ 1,715,762	$ 556,085	$ 161,706	$ 2,480,779

124

SCHEDULE IV

PartnerRe Ltd.

Reinsurance

For the years ended December 31, 2004, 2003 and 2002

(Expressed in thousands of U.S. dollars)

	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	Percentage of amount assumed to net
2004					
Life reinsurance in force		$ 1,880,430	$ 34,441,927	$ 32,561,497	106%
Premiums earned					
Life		12,160	383,290	371,130	103%
Accident and health			35,035	35,035	100%
Property and casualty		21,630	3,349,205	3,327,575	101%
Total premiums		$ 33,790	$ 3,767,530	$ 3,733,740	101%
2003					
Life reinsurance in force		$ 1,787,507	$ 28,077,916	$ 26,290,409	107%
Premiums earned					
Life		10,481	256,197	245,716	104%
Accident and health			54,627	54,627	100%
Property and casualty		27,736	3,230,835	3,203,099	101%
Total premiums		$ 38,217	$ 3,541,659	$ 3,503,442	101%
2002					
Life reinsurance in force		$ 2,162,199	$ 20,275,486	$ 18,113,287	112%
Premiums earned					
Life		7,366	162,230	154,864	105%
Accident and health		584	16,014	15,430	104%
Property and casualty		48,007	2,303,449	2,255,442	102%
Total premiums		$ 55,957	$ 2,481,693	$ 2,425,736	102%

Table of Contents

SCHEDULE V

PartnerRe Ltd.

Supplemental Information

Concerning Property-Casualty Insurance Operations

For the years ended December 31, 2004, 2003 and 2002

(Expressed in thousands of U.S. dollars)

Affiliation with Registrant	Deferred policy acquisition costs	Liability for unpaid losses and loss expenses	Unearned premiums	Premiums earned	Losses and loss expenses incurred	Amortization of deferred policy acquisition costs	Paid losses and loss expenses	Premiums written
Consolidated subsidiaries								
2004	$ 301,662	$ 5,766,629	$ 1,184,814	$ 3,327,575	$ 2,179,680	$ 765,737	$ 1,378,706	$ 3,448,668
2003	242,225	4,755,059	1,024,247	3,203,099	2,098,664	711,891	1,292,782	3,289,557
2002	199,308	3,658,416	859,905	2,255,442	1,562,978	495,417	1,124,834	2,480,779

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Original Number	Date Filed	SEC File Reference Number	
2.1	Asset Purchase Agreement, dated October 3, 1998 between Winterthur Swiss Insurance Company, Winterthur Life, Vitodurum Versicherungs Gesellschaft and Partner Reinsurance Company Ltd.	8-K	2.1	October 28, 1998	001-14536	
2.2	Reinsurance Agreement, dated October 3, 1998 between Winterthur Swiss Insurance Company, Winterthur Life, Vitodurum Versicherungs Gesellschaft and Partner Reinsurance Company Ltd.	8-K	2.2	October 28, 1998	001-14536	
2.3	Share Purchase Agreement, dated October 23, 1998 between Winterthur Life U.S. Holdings, Inc., Winterthur U.S. Holdings, Inc. and PartnerRe U.S. Corporation.	8-K	2.3	October 28, 1998	001-14536	
2.4	Amended and Restated Stock Purchase Agreement, effective as of April 12, 2000 between Partner Reinsurance Company of the U.S and SCOR Group in relation to the sale of the outstanding capital stock of PartnerRe Insurance Company of the U.S.	10-Q	2.0	May 15, 2000	001-14536	
3.1	Amended Memorandum of Association.	F-3	3.1	June 20, 1997	333-7094	
3.2	Amended and Restated Bye-laws.	10-Q	3.2	August 6, 2004	001-14536	
4.1	Specimen Common Share Certificate.	10-Q	4.1	December 10, 1993	0-2253	
4.2	Specimen of 7.9% Preferred Security Certificate of PartnerRe Capital Trust I.	8-K	99.5	November 28, 2001	001-14536	
4.4	Form of Amended and Restated Trust Agreement of PartnerRe Capital Trust I.	S-3	4.13	October 26, 2001	333-72246	
4.5	Certificate of Designation of the Company s 6.75% Series C Cumulative Redeemable Preferred Shares.	8-K	99.4	May 2, 2003	001-14536	
4.6	Specimen Share Certificate for the 6.75% Series C Cumulative Redeemable Preferred Shares.	8-K	99.3	May 2, 2003	001-14536	
4.7	Certificate of Designation, Preferences and Rights of the Company s 6.50% Series D Cumulative Redeemable Preferred Shares.	8-K	99.4	November 12, 2004	001-14536	
4.8	Specimen Share Certificate for the 6.50% Series D Cumulative Redeemable Preferred Shares.	8-K	99.3	November 12, 2004	001-14536	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Original Number	Date Filed	SEC File Reference Number	
10.1	Investor Subscription Agreement, between PartnerRe Holdings Ltd. and certain Investors, dated as of August 25, 1993.	F1	10.1	August, 23 1993	33-68042	
10.2	Sponsor Subscription Agreement, among PartnerRe Holdings Ltd., Head Insurance Investors III (Bermuda) L.P. and Swiss Reinsurance Company, dated as of August 25, 1993.	F1	10.4	August, 23 1993	33-68042	
10.3	Stock Purchase Agreement dated November 1, 2002 between PartnerRe Ltd., Swiss Reinsurance Company, Swiss Re Capital Management (Bermuda) Ltd and European Reinsurance Company of Zurich.	8-K	99.2	November 4, 2002	001-14536	
10.4	Credit Agreement, dated June 17, 2004, among PartnerRe Ltd., various designated subsidiary borrowers various lending institutions and JP Morgan Chase Bank, as Administrative Agent.	10-Q	10.1	August 6, 2004	001-14536	
10.4.1	First Amendment to the Credit Agreement dated as of January 26, 2005, among PartnerRe Ltd, the Designated Subsidiary Borrowers, the lending institutions and JP Morgan Chase Bank.					X
10.5	Capital Management Maintenance Agreement, effective February 20, 2004, between PartnerRe Ltd., PartnerRe U.S. Corporation and Partner Reinsurance Company of the U.S.	10-Q	10.2	August 6, 2004	001-14536	
10.6	Loan agreement between PartnerRe U.S. Corporation and Credit Suisse First Boston, dated October 26, 1998.	10-K	10.19	March 30, 1999	001-14536	
10.7	PartnerRe Ltd. 1993 Stock Option Plan, as amended as of May 2, 1997.	10-K	10.9	March 30, 1999	001-14536	
10.8	Directors Deferred Compensation Plan.	10-K	10.15	March 26, 1997	0-2253	
10.9	Amended Employee Incentive Plan, dated as of May 19, 2000.	10-Q	10.3	August 14, 2000	001-14536	
10.10	PartnerRe Ltd. Employee Share Purchase Plan, dated as of May 19, 2000.	10-Q	10.5	August 14, 2000	001-14536	
10.10.1	Amended and Restated Employee Share Purchase Plan effective June 1, 2002.	10-Q	10.1	August 14, 2002	001-14536	
10.11	Swiss Share Purchase Plan effective June 3, 2002.	10-K	10.31	March 28, 2003	001-14536	
10.12	PartnerRe Ltd 2003 Non-Employee Directors Stock Plan dated May 22, 2003.	10-K	10.26	March 15, 2004	001-14536	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	Original Number	Date Filed	SEC File Reference Number	
10.13	Form of PartnerRe Ltd. Non-Employee Directors Stock Plan Director Stock Option Agreement and Notice of Grant.	8-K	10.1	September 20, 2004	001-14536	
10.14	Form of PartnerRe Ltd. Non-Employee Directors Stock Plan Restricted Share Unit Award and Notice of Restricted Share Units.	8-K	10.2	September 20, 2004	001-14536	
10.15	Form of PartnerRe Ltd. Employee Incentive Plan Executive Stock Option Agreement and Notice of Grant.	8-K	10.1	February 16, 2005	001-14536	
10.16	Form of PartnerRe Ltd. Employee Incentive Plan Executive Restricted Stock Unit Award Agreement and Notice of Restricted Stock Units.	8-K	10.2	February 16, 2005	001-14536	
10.17	Executive Total Compensation Program					X
10.18	Employment Agreement between PartnerRe Ltd. and Mark Pabst, dated as of July 16, 2001.	10-Q	10.1	August 14, 2001	001-14536	
10.19	Employment Agreement between PartnerRe Ltd. and Scott D. Moore, amended as of March 31, 1998.	10-K	10.11	March 30, 1999	001-14536	
10.19.1	Amendment to Employment Agreement between PartnerRe Ltd. and Scott D. Moore, dated as of July 5, 2000.	10-Q	10.2	August 14, 2000	001-14536	
10.20	Employment Agreement between PartnerRe Ltd. and Bruno Meyenhofer, dated November 19, 1998 with English translation.	10-K	10.19	March 30, 2000	001-14536	
10.20.1	Amendment to Employment Agreement between PartnerRe Ltd. and Bruno Meyenhofer, dated as of July 5, 2000.	10-Q	10.0	August 14, 2000	001-14536	
10.21	Employment Agreement between PartnerRe Ltd. and Albert Benchimol, dated as of March 1, 2000.	10-Q	10.0	May 15, 2000	001-14536	
10.22	Employment Agreement between PartnerRe Ltd. and Patrick A. Thiele, dated September 29, 2000, as amended dated February 27, 2001.	10-K	10.24	April 2, 2001	001-14536	
10.22.1	Amendment to Employment Agreement between PartnerRe Ltd. and Patrick A. Thiele, effective as of February 26, 2002.	8-K	99.1	March 25, 2002	001-14536	
10.22.2	Retention Award Agreement between PartnerRe Ltd. and Patrick A. Thiele, dated November 16, 2004.					X

Table of Contents

		Incorporated by Reference				
Exhibit Number	**Exhibit Description**	**Form**	**Original Number**	**Date Filed**	**SEC File Reference Number**	**Filed Herewith**
10.22.3	Restricted Stock Unit Award Agreement between PartnerRe Ltd. and Patrick A. Thiele, dated November 16, 2004.					X
11.1	Statement Regarding Computation of Net Income Per Common Share and Common Share Equivalents.					X
21.1	Subsidiaries of the Company.					X
23.1	Consent of Deloitte & Touche.					X
31.1	Certification of Patrick A. Thiele, Chief Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
31.2	Certification of Albert A. Benchimol, Chief Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934					X
32.1	Certification of Patrick A. Thiele, Chief Executive Officer, and Albert A. Benchimol, Chief Financial Officer, as required by Rule 13a-14(b) of the Securities Exchange Act of 1934					X